

Statement of  
Accounts for the  
year ended

March 31

2011

Calderdale MBC

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## **EXPLANATORY FOREWORD BY THE HEAD OF FINANCE**

In October 2010, the coalition Government set out its spending plans for the next 4 years with the express aim of eliminating the structural deficit of £109bn by 2015/16. To deliver this has meant a radical overhaul of public finances with the emphasis being placed on cutting expenditure rather than increasing revenues through fiscal measures.

The spending plans provided protection for health and education services and also investment in transport infrastructure. As a consequence, local government budgets generally have taken a disproportionate hit. About 70% of all council funding comes from the government and the rest of the money needed to pay for all the services the council provides comes from fees and charges and council tax.

Sources of council income are susceptible to swings in the economy for the recession hits council finances just as it affects the business community, homeowners and families. Low interest rates means less income from investments of reserves, balances and temporary cash surpluses; income from planning fees and land charges has been affected by the fall in business and household confidence; falling land and property prices and a depressed property market have reduced the amount available to the Council to recycle into capital investment.

At a time of tight financial restraint the public response to the Council's major budget consultation was that service charges should be kept affordable and fair. Similarly, government expectations were that council tax rises would be zero in 2011/12. The capacity to raise income, therefore, is very limited and in response to the public consultation, the Council is implementing a medium term financial strategy delivering balanced budgets whilst protecting front line services (especially services for the vulnerable), and where appropriate it is commissioning or involving other providers, reducing administration and securing value for money.

In common with other councils Calderdale Council will, through a mixture of smarter ways of working; streamlining processes and management structures; making better use of technology; office rationalisation; homeworking and shared services, be addressing the staffing levels required to deliver and support services and secure the necessary efficiencies.

Government funding generally for capital projects has been halved, and falling land and property prices have further reduced the amount available to the Council to recycle into capital investment. The capital programme will deliver over £100m of schemes over the next three years which will target specific funding towards general improvements to roads, buildings and play areas and see specific major investment at a number of primary and secondary schools as well as the new Trinity Academy.

Despite all these financial pressures, and in order to support all residents in these difficult times, the Council is maintaining council tax at last year's level with no increase. Council tax levels have now risen in total by less than 1% since 2008. At just over £100 per month, the current charge set for council services for a 2 adult band D property is £20 per month lower than the national average. Most Calderdale households actually pay much less than £100 per month.

## Financial performance during the year

### Revenue spending

The Council spends £0.5bn annually to deliver services. This is partly funded by service charges and specific grants. The resulting net funding requirement (£0.2bn) is met by general government grants, council tax and general balances. The Council sets its budget each February to determine council tax levels for the coming year and the extent to which it intends to use balances to support current operations.

In 2010/11, Council net expenditure was £1.3m lower than forecast due to improvements of £1.6m:-

- Benefit grant claim income (£0.3m)
- Dividend income (£0.3m)
- Recovery of VAT incorrectly applied by HMRC (£0.3m)
- Unused contingencies and miscellaneous items (£0.7m)

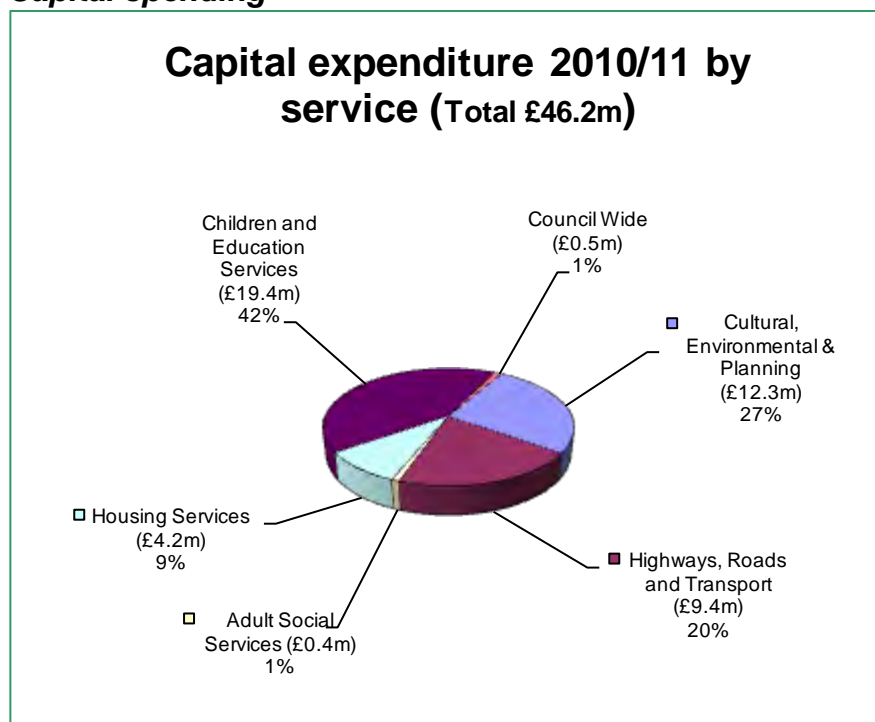
Being partially offset by reductions for service overspendings of £0.3m due principally to:-

- Reduced levels of income from sports centres and commercial lettings

The table below shows the comparison between the original budget, the final budget and the actual outturn.

<b>COMPARISON OF BUDGET TO OUTTURN</b>	<b>Original Budget £'000</b>	<b>Final Budget £'000</b>	<b>Actual Outturn £'000</b>
Council services - net requirement	181,905	183,089	182,310
Parish precepts	449	449	449
<b>Net expenditure to be funded</b>	<b>182,354</b>	<b>183,538</b>	<b>182,759</b>
Council Tax	-80,945	-80,945	-80,945
Revenue Support and General Government Grant	-30,403	-29,147	-29,683
Redistributed Business Rates	-71,174	-71,174	-71,174
<b>Total funding</b>	<b>-182,522</b>	<b>-181,266</b>	<b>-181,802</b>
<b>Decrease / (Increase) in General Fund Balances</b>	<b>-168</b>	<b>2,272</b>	<b>957</b>

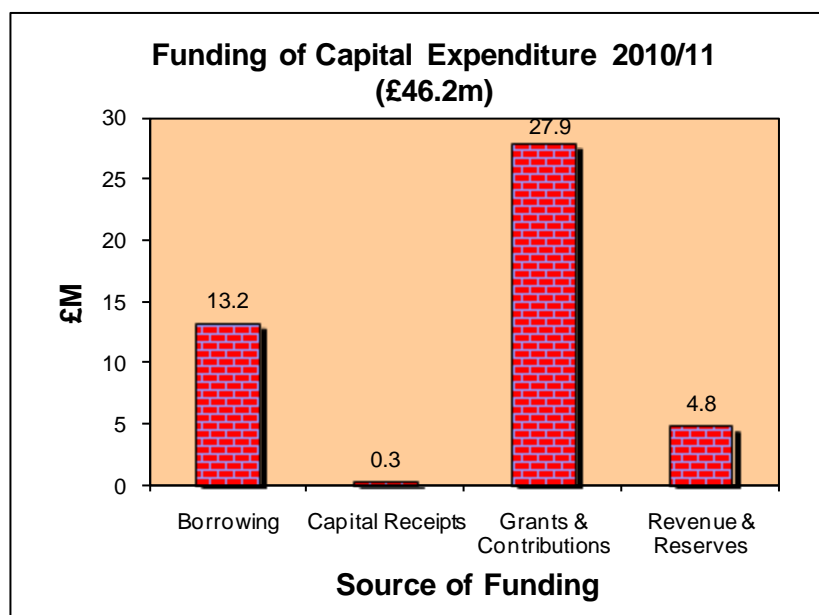
## Capital spending



Capital expenditure is distinct from the everyday revenue expenditure required to run services. It represents investment both in tangible items of property, plant and equipment (such as buildings, roads, land and equipment) and intangible assets (software licences) of which the benefits last for more than one year. It also includes certain grants and loans given to third parties (mainly for regeneration / housing schemes).

In addition to the rolling programmes for works to roads (£9.0m) and private sector housing improvement and regeneration developments (£4.2m), there has been major investment during the year on: -

- Cliffe Hill and Heptonstall primary schools,
- Commencement of a new academy school
- Children's centres and play areas
- Completion of two new swimming pools
- A new library at King Cross
- Works at the crematorium
- Urban and economic regeneration initiatives



The main source of funding continues to be grants and contributions from the government and other bodies (although other than specific funding for secondary school schemes, this source of funding generally will be halved in future years). Other than a limited amount of revenue contributions (principally from individual schools, and reserves earmarked for this purpose), the remainder of the capital programme is funded by borrowing, and from capital receipts (the monies generated through

selling fixed assets). The Council has in place a programme of asset sales to support new capital investment.

In addition to funding the capital programme, borrowing also takes place to repay maturing loans. The Council's treasury management policy, which addresses both short term cashflow and longer term asset funding requirements, seeks to minimise external debt costs by taking account of available internal resources, prevailing interest rates and debt maturity profiles. Longer term debt is provided principally through the Government's Public Works Loans Board (PWLB), with shorter term cashflow issues being managed by loans taken out with financial institutions and other local authorities via the UK money markets.

Total borrowing at the 31<sup>st</sup> March 2011 amounted to £114.7m (a net reduction of £3.8m) against long term assets with a net book value of £585.9m.

## **Commentary on the main financial statements for 2010/11**

This section provides a brief commentary on the main accounting statements, and highlights the key issues.

The ***comprehensive income and expenditure statement (CIES)*** has two parts to it.

The first, the *surplus or deficit on provision of services*, shows the accounting cost of providing services during the year in terms of the resources generated, consumed or set aside. These figures are specified in accordance with relevant international financial reporting standards. They do not represent the amount to be funded from local taxation. Charges against council tax are specified in regulations, which differ from accounting standards. The charge against council tax is shown in the movement in reserves statement.

The second part, *other comprehensive income and expenditure*, includes other recognised gains and losses during the year due to asset and liability changes rather than economic performance.

Together, these figures combined show the movement during the year in the council's net worth and is analysed in the movement in reserves statement between usable and non usable reserves.

### ***Surplus or deficit on provision of services (SDOPS)***

The SDOPS on page 12 shows an improvement of £89.3m compared to the deficit of £4.8m in 2009/10. The main reasons for this are: -

- A change of £85m for past service pensions costs. Pensions increases are, from the 1<sup>st</sup> April 2011, linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). CPI rises are expected to be lower than RPI increases and the resultant reduction in the pensions obligation has been recognised as a benefit change and therefore recognised as a (negative) past service cost.
- There was a reduction in pensions interest costs / expected return on pension assets of £5m, reflecting the expectation of improving returns and the recovery of asset values.
- Investment income is down by £1m reflecting lower interest rates during the year.

## *Other comprehensive income and expenditure*

- *Pensions liability.*

Net pension liabilities are reported under the IAS19 reporting standard, which sets out how balance sheet entries and charges to the income and expenditure account are to be recognised. The net liability is the difference between the Council's share of the pension fund assets and the underlying commitment, based on actuarial assessment, which the Council has to pay retirement benefits. This deficit is a snapshot at a point in time.

Pension fund assets are subject to fluctuations in value depending on the current state of the stock market and other investment markets. Returns on pension fund assets rose by around 9.5% during the year. This was slightly higher than anticipated. There were also asset valuation experience gains following the triennial actuarial valuation of the fund (recognising the impact of actual experience differing from accounting assumptions). Pension fund liabilities fell over the period. These are discounted back to the balance sheet date. The change in pensions indexation to CPI has resulted in a higher real discount factor, and coupled with revised future mortality assumptions, pension liabilities have fallen during the year by about 17%. The net result is that there has been an overall actuarial decrease in the pension fund deficit of £119m.

IAS19 valuations differ from actuarial valuations for funding purposes which are used to determine future levels of employer contributions in accordance with the funding strategy. The pension fund is evaluated on a triennial basis (last done at March 2010). On this basis, the funding position (at 90%) is significantly stronger than that identified under IAS19. Deficits will continue to be addressed by fund management and the review of contribution rates in line with the longer term view taken by fund reviews.

- *Revaluations*

Although land values have generally fallen, there are a number of buildings where the valuation has increased as part of the Council's 5 year rolling programme. These increases (particularly sports centres and schools) reflect the fact that much of the Council's property is of a specialist nature for which the valuations are driven more by build costs and factors other than market values. Where possible, falling values are reflected against previously recognised gains in the revaluation reserve, and revaluation increases are charged to the revaluation reserve unless reversing impairments previously recognised in the comprehensive income and expenditure statement. Valuation increases of £7m have been recognised in the revaluation reserve rather than through the comprehensive income and expenditure statement.

## **The movement in reserves statement**

This statement shows movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The movements in comprehensive income and expenditure are fully analysed in that separate statement. This includes a full analysis of the surplus or deficit on the provision of services, which shows the true economic cost of providing the authority's services. This is different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes, and the requisite adjustments (relating particularly to charges for pensions and fixed assets) from accounting basis to funding basis are separately identified. After allowing for transfers to and from earmarked reserves, there was a contribution from general fund balances of £0.957m.

The **balance sheet** shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold: -

- the unrealised gains and losses recognised in other comprehensive income and expenditure where the amounts would only become available to provide services if the assets are sold;
- the required adjustments between the accounting basis and the funding basis under regulations for charges made within the comprehensive income and expenditure statement relating to fixed assets, pensions and holiday and similar pay as shown in the movement in reserves statement.

Usable reserves have risen by £36m (due mainly to the recognition of substantial grant funding towards the building of an Academy school), and the balance on unusable reserves has risen by £174m (due principally to the reduction in the pension fund deficit).

#### *Usable reserves.*

- Balances and reserves

Due to the net funding requirement being £1.3m lower than forecast, the Council had general balances of £8.998m at the year end. Some of these balances (approximately £1.7m) have already been planned to support future years' budgets. Total balances at the year end are 1.7% of gross expenditure. Excluding expenditure on schools (which have their own specific reserves) balances are 2.2%.

Earmarked reserves are sums set aside for specific purposes to meet items of future expenditure. The main council reserves are for future capital investment; regeneration and economic support; service improvements; and contingent liabilities. Total council reserves have risen by £2.1m to £44.765m. Schools reserves and contingencies have increased by £3.3m to £14.666m, and school balances are now at a level equivalent to 5.1% of the individual schools budget for 2011/12.

Following the adoption of IFRS (see below), reserves (including school balances) are higher by £3m to £4m compared to previously reported figures under UK GAAP accounting standards. IFRS requires an earlier recognition of grant income where there are no outstanding repayment requirements. Previously, such grant income was deferred and matched against spend when incurred. It is now carried forward in reserves when required to meet future expenditure. Grants for capital purposes are carried forward in a separate reserve.

- Capital grants unapplied reserve

This is the balance of capital grants where any conditions have been met, but where the expenditure has not yet been incurred. The increase of £30m is due to recognition of grant funding for the new academy (following the letting of the contract in January 2011) and specific funding targeted towards secondary school improvements.

- Capital receipts

There was a net increase of £2.7m in usable capital receipts due to asset sales.

### *Changes in assets and liabilities*

- Short term investments

Short term investments fell during the year by £10.4m. These were cashed in to support treasury management operations rather than increasing longer term external debt.

- Provisions.

Provision was made for the costs of voluntary redundancies following Budget Council decisions to streamline operations to help deliver future savings requirements.

- Fixed assets

The decrease in fixed asset values reflects impairments (particularly to land values) following revaluations undertaken during the year, depreciation of the assets used, partly offset by new capital expenditure incurred.

- Debtors

The increase of £16m is due to an accrual of a major grant for the new academy school, partly offset by reductions in accruals for other significant government grants.

The **cash flow statement** shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities indicates the extent to which the operations of the authority have been funded by way of taxation, grant income and other fees charged by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Cash arising from ongoing operations was used to help pay for capital programme expenditure and to repay longer term borrowing. Cash balances across the Council rose by £13m due to increases in cash held in school bank accounts, and from cashing in some short term investments and holding the proceeds in the Council's bank account due to the better returns available.

There are also a number of other statements:-

- *The collection fund* shows the transactions of the Council as the billing authority in relation to national non domestic rates and the council tax.
- *The statement of accounting policies* explains the basis of the figures in the financial statements and the concepts and policies followed which underpin the accounts.
- *The statement of responsibility* for the statement of accounts sets out the respective responsibilities of the Council and the Head of Finance.
- *The annual governance statement* which sets out the framework to promote efficiency and effectiveness and manage risks, no longer forms part of these statements, but is published as a separate, accompanying document.

## **Changes in accounting policies**

This is the first year in which the council has adopted international financial reporting standards. These financial accounts now comply in full with these standards as interpreted by the CIPFA accounting code of practice.

The main changes affect accounting for: -

- Fixed assets
- Leases
- Grants
- Holiday and similar pay

There are full explanations of the effects of these changes on previously reported figures in disclosure note 2 on page 18.

## **Other links**

The Council's Statement of Accounts give a true and fair view of the financial position of the Council in relation to the financial year. This is necessarily a technical document which receives considerable audit scrutiny to give all stakeholders the confidence that public money has been properly accounted for. There is a summarised set of accounts on the Council's website presenting performance information in a more accessible way.

The website also contains a number of other plans and strategies, such as the medium term financial strategy, detailing what the Council plans to do to achieve its ambitions, what resources it needs to deploy and how it prioritises the resources it has available.

P SMITH, BA CPFA

HEAD OF FINANCE

## MOVEMENT IN RESERVES STATEMENTS

<b>Y/e 31st March 2011</b>	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>Collection Fund Adjust Account</b>	<b>Capital Grants Reserve</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Net Worth</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010</b>	<b>9,955</b>	<b>53,986</b>	<b>1,135</b>	<b>11,066</b>	<b>9,137</b>	<b>85,279</b>	<b>13,065</b>	<b>98,344</b>
Surplus or (deficit) on provision of services (accounting basis)	84,521	0	0	0	0	84,521	0	84,521
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	125,926	125,926
<b>Total Comprehensive Income and Expenditure</b>	<b>84,521</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,521</b>	<b>125,926</b>	<b>210,447</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	-80,033	0	-727	29,847	2,662	-48,251	48,251	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>4,488</b>	<b>0</b>	<b>-727</b>	<b>29,847</b>	<b>2,662</b>	<b>36,270</b>	<b>174,177</b>	<b>210,447</b>
Transfers to / from Earmarked Reserves (note 10)	-5,445	5,445	0	0	0	0	0	0
<b>Increase / Decrease in Year</b>	<b>-957</b>	<b>5,445</b>	<b>-727</b>	<b>29,847</b>	<b>2,662</b>	<b>36,270</b>	<b>174,177</b>	<b>210,447</b>
<b>Balance at 31 March 2011</b>	<b>8,998</b>	<b>59,431</b>	<b>408</b>	<b>40,913</b>	<b>11,799</b>	<b>121,549</b>	<b>187,242</b>	<b>308,791</b>

<b>Y/e 31st March 2010</b>	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>Collection Fund Adjust Account</b>	<b>Capital Grants Reserve</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Net Worth</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2009</b>	<b>16,962</b>	<b>50,010</b>	<b>1,630</b>	<b>2,902</b>	<b>14,439</b>	<b>85,943</b>	<b>166,036</b>	<b>251,979</b>
Surplus or (deficit) on provision of services (accounting basis)	-4,822	0	0	0	0	-4,822	0	-4,822
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-148,813	-148,813
<b>Total Comprehensive Income and Expenditure</b>	<b>-4,822</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,822</b>	<b>-148,813</b>	<b>-153,635</b>
Adjustments between accounting basis & funding basis under regulations (note 9)	1,791	0	-495	8,164	-5,302	4,158	-4,158	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>-3,031</b>	<b>0</b>	<b>-495</b>	<b>8,164</b>	<b>-5,302</b>	<b>-664</b>	<b>-152,971</b>	<b>-153,635</b>
Transfers to / from Earmarked Reserves (note 10)	-3,976	3,976	0	0	0	0	0	0
<b>Increase / Decrease in Year</b>	<b>-7,007</b>	<b>3,976</b>	<b>-495</b>	<b>8,164</b>	<b>-5,302</b>	<b>-664</b>	<b>-152,971</b>	<b>-153,635</b>
<b>Balance at 31 March 2010</b>	<b>9,955</b>	<b>53,986</b>	<b>1,135</b>	<b>11,066</b>	<b>9,137</b>	<b>85,279</b>	<b>13,065</b>	<b>98,344</b>

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2009/10			<u>Service</u>	2010/11		
Restated Expenditure £'000	Restated Income £'000	Restated net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
			<i>Continuing operations</i>			
21,472	-19,075	2,397	Central services to the public	21,032	-18,857	2,175
239	-49	190	Court and probation services	286	-46	240
64,021	-16,039	47,982	Cultural, environmental and planning services	70,731	-17,375	53,356
263,518	-216,614	46,904	Children's and Education services	290,311	-225,164	65,147
27,865	-4,343	23,522	Highways, roads and transport services	27,324	-5,625	21,699
72,594	-69,134	3,460	Housing Services	76,314	-67,938	8,376
74,937	-24,962	49,975	Adult Social Care	79,755	-26,854	52,901
6,274	0	6,274	Corporate and democratic core	5,014	0	5,014
1,809	0	1,809	Non distributed costs	-83,581	0	-83,581
<b>532,729</b>	<b>-350,216</b>	<b>182,513</b>	<b>Net Cost of Services</b>	<b>487,186</b>	<b>-361,859</b>	<b>125,327</b>
			<i>Other operating expenditure</i>			
		438	Parish Precepts			449
		-112	Net (Surplus)/Deficit from Trading Operations			-489
		202	Changes in fair value of held for sale assets			679
		-214	(Gain)/loss on disposal of Fixed Assets & Investments			1,397
		15	Contribution to Housing pooled capital receipts			6
			<i>Financing and Investment Income and Expenditure</i>			
		-2,390	Interest and Investment Income			-1,117
		9,574	Interest Payable and similar charges			9,125
		14,771	Pensions interest costs and expected return on assets			9,299
		-477	Income & expenditure in relation to investment properties, and changes in fair value			794
			<i>Taxation and non specific grant income</i>			
		-80,746	Income from Collection Fund			-80,218
		-54,288	Government Grant not attributable to specific services			-78,599
		-64,464	Distribution from non-domestic rate pool			-71,174
		<b>4,822</b>	<b>(Surplus) or deficit on the provision of services</b>			<b>-84,521</b>
			<b>Other comprehensive income and expenditure</b>			
		-31,386	(Surplus) / Deficit arising on the revaluation of fixed assets			-7,070
		16	(Gains)/losses on the revaluation/disposal of available for sale financial assets			0
		180,183	Actuarial (gains) / losses on pension fund assets and liabilities			-118,856
		<b>148,813</b>	<b>Total other comprehensive (income) and expenditure</b>			<b>-125,926</b>
		<b>153,635</b>	<b>Total comprehensive (income) and expenditure</b>			<b>-210,447</b>

## **BALANCE SHEET AT 31ST MARCH, 2011**

31st March 2009 restated £'000	31st March 2010 restated £'000		31st March 2011 £'000	Note
<b>Long Term Assets</b>				
543,016	582,621	Property, Plant & Equipment	570,720	20
8,812	8,092	Investment Property	10,966	21
337	517	Intangible Assets	418	23
745	779	Long term investments	796	36
1,076	1,062	Long term debtors	3,057	36
<b>553,986</b>	<b>593,071</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>585,957</b>	
<b>Current Assets</b>				
73,600	58,400	Short term investments	48,000	30
1,070	641	Inventories	799	28
33,825	42,322	Debtors	58,184	29
-3,955	-4,639	Less allowance for Credit Losses	-5,589	29
12,510	14,894	Cash and cash equivalents	16,969	31
0	0	Cash at bank	4,624	31
278	211	Assets held for sale	196	22
<b>Current Liabilities</b>				
-5,204	-6,588	Cash and cash equivalents - bank overdraft	0	31
-3,983	-5,018	Short term borrowing	-3,371	36
-55,674	-52,305	Short term creditors	-42,820	32
-4,158	-1,600	Short term provisions	-5,400	33
<b>602,295</b>	<b>639,389</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>657,549</b>	
<b>Other Liabilities</b>				
-2,874	-5,905	Provisions	-5,993	33
-116,598	-113,464	Long term borrowing	-111,364	36
-179,131	-371,493	Net pension liabilities	-182,832	37
-51,713	-50,183	Other long term liabilities	-48,569	38
<b>251,979</b>	<b>98,344</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>308,791</b>	
<b>Financed By:-</b>				
<b>Usable Reserves</b>				
14,439	9137	Usable Capital Receipts Reserve	11,799	34
2,902	11066	Capital Grants Unapplied Reserve	40,913	34
1,630	1135	Collection Fund Adjustment Account	408	34
50,010	53,986	Earmarked Reserves	59,431	34/10
16,962	9,955	Balances	8,998	34
<b>85,943</b>	<b>85,279</b>	<b>TOTAL USABLE RESERVES</b>	<b>121,549</b>	
<b>Unusable reserves</b>				
234,723	243,051	Capital Adjustment Account	225,928	34
115,804	146,304	Revaluation Reserve	148,951	34
-86	-54	Available for Sale reserve	-54	34
-5,412	-4,851	Holiday pay adjustment account	-4,848	34
-179,131	-371,493	Pensions Reserve	-182,832	34/37
138	108	Deferred capital receipts	97	34
<b>166,036</b>	<b>13,065</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>187,242</b>	
<b>251,979</b>	<b>98,344</b>	<b>TOTAL NET WORTH</b>	<b>308,791</b>	

## CASHFLOW STATEMENT

restated 2009/10			2010/11	
£'000	£'000		£'000	£'000
	4,822	Net (surplus) or deficit on the provision of services		-84,521
		Adjustments for:-		
-30,726		non cash movements	14,812	
23,293	-7,433	items that are investing and financing activities	51,878	66,690
	-2,611	Net cash flows from Operating Activities		-17,831
		<i>Investing Activities</i>		
35,783		purchase of fixed assets and other capital cash advances	36,743	
-2,586		sale of fixed assets and other capital cash receipts	-1,113	
-25,586		capital grants and contributions received	-23,402	
-9,536		movement in liquid resources	-12,957	
	-1,925			-730
		<i>Financing Activities</i>		
-1,494		net short term loans raised	613	
1,436		capital element of finance lease rental payments	1,527	
0		long term loans raised	0	
3,594		long term loans repayed	3,134	
	3,536			5,274
	-1,000	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>-13,287</b>
	7,306	<b>Cash and cash equivalents at 1st April</b>		<b>8,306</b>
	8,306	<b>Cash and cash equivalents at 31st March</b>		<b>21,593</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 Service analysis

The service analysis in the comprehensive income and expenditure statement follows the standard service expenditure analysis as required under the Code of Practice ("The Code") and under the Service Reporting Code of Practice (SerCOP). This analysis has to be adopted for purposes of external reporting, but differs from that used for internal reporting which follows the Council's directorate/service structure.

Internal reports are used to assist management in allocating resources and to plan, monitor and manage the Council's performance and finances. They do not reflect in full all the accounting policies used in these financial statements (which serve a different purpose and are geared towards a different audience). In particular, internal reports exclude certain year end entries which are included in these statements for financial accounting purposes, but which balance across the Council to nil and have no impact either on council tax or levels of available funding. These entries include charges to the comprehensive income and expenditure statement relating to the valuation of fixed assets; capital expenditure and funding; retirement benefits; accumulated absences; and a technical adjustment to the council tax precept.

Directorate income and expenditure is as follows:

<i><b>Segmental subjective analysis as reported to management 2010/11</b></i>	<i><b>children &amp; young people</b></i>	<i><b>safer &amp; stronger</b></i>	<i><b>adults health &amp; social care</b></i>	<i><b>economy &amp; environment</b></i>	<i><b>chief executives</b></i>	<i><b>central accounts</b></i>	<i><b>Totals</b></i>	<i><b>year end adjustments</b></i>	<i><b>Net service expenditure</b></i>
	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>	<i><b>£'000</b></i>
Grants and contributions	(212,864)	(66,717)	(14,957)	(6,316)	(16,807)	(178,282)	(495,943)		(495,943)
Fees, charges & other income	(14,663)	(16,162)	(13,460)	(26,737)	(29,634)	0	(100,656)		(100,656)
Interest & investment income	(21)	0	0	(9)	(289)	(798)	(1,117)		(1,117)
<b>Total Income</b>	<b>(227,548)</b>	<b>(82,879)</b>	<b>(28,417)</b>	<b>(33,062)</b>	<b>(46,730)</b>	<b>(179,080)</b>	<b>(597,716)</b>	<b>0</b>	<b>(597,716)</b>
Employee expenses	168,266	22,123	20,766	19,030	16,979	(5,260)	241,904		241,904
Other operating expenses	96,730	77,382	61,751	34,556	25,426	10,339	306,184		306,184
Support Service Recharges	7,084	10,256	3,195	13,908	10,688	9	45,140		45,140
<b>Total expenditure</b>	<b>272,080</b>	<b>109,761</b>	<b>85,712</b>	<b>67,494</b>	<b>53,093</b>	<b>5,088</b>	<b>593,228</b>	<b>0</b>	<b>593,228</b>
<b>Net Funding requirement before reserves</b>	<b>44,532</b>	<b>26,882</b>	<b>57,295</b>	<b>34,432</b>	<b>6,363</b>	<b>(173,992)</b>	<b>(4,488)</b>	<b>0</b>	<b>(4,488)</b>
<b>Movement in reserves</b>	<b>5,305</b>	<b>(250)</b>	<b>80</b>	<b>2,082</b>	<b>725</b>	<b>(2,497)</b>	<b>5,445</b>		<b>5,445</b>
<b>Movement in balances</b>	<b>49,837</b>	<b>26,632</b>	<b>57,375</b>	<b>36,514</b>	<b>7,088</b>	<b>(176,489)</b>	<b>957</b>	<b>0</b>	<b>957</b>

**Segmental subjective analysis  
as reported to management  
2009/10**

	children & young people £'000	safer & stronger £'000	adults health & social care £'000	economy & environment £'000	chief executives £'000	central accounts £'000	Totals £'000	year end adjustments £'000	Net service expenditure £'000
Grants and contributions	-200,482	-63,941	-18,838	-6,038	-16,990	-177,782	-484,071		-484,071
Fees, charges & other income	-13,997	-16,011	-12,455	-26,188	-27,878	0	-96,529	291	-96,238
Interest & investment income	-189	0	0	-10	-631	-1,560	-2,390		-2,390
<b>Total Income</b>	<b>-214,668</b>	<b>-79,952</b>	<b>-31,293</b>	<b>-32,236</b>	<b>-45,499</b>	<b>-179,342</b>	<b>-582,990</b>	<b>291</b>	<b>-582,699</b>
Employee expenses	160,769	20,630	19,577	18,438	15,310	4,398	239,122		239,122
Other operating expenses	90,409	73,386	58,043	34,956	25,348	20,800	302,942	162	303,104
Support Service Recharges	6,426	9,006	2,991	12,964	12,110	7	43,504		43,504
<b>Total expenditure</b>	<b>257,604</b>	<b>103,022</b>	<b>80,611</b>	<b>66,358</b>	<b>52,768</b>	<b>25,205</b>	<b>585,568</b>	<b>162</b>	<b>585,730</b>
<b>Net Funding requirement before reserves</b>	<b>42,936</b>	<b>23,070</b>	<b>49,318</b>	<b>34,122</b>	<b>7,269</b>	<b>-154,137</b>	<b>2,578</b>	<b>453</b>	<b>3,031</b>
<b>Movement in reserves</b>	<b>2,394</b>	<b>-893</b>	<b>1,067</b>	<b>-1,013</b>	<b>345</b>	<b>2,529</b>	<b>4,429</b>	<b>-453</b>	<b>3,976</b>
<b>Movement in balances</b>	<b>45,330</b>	<b>22,177</b>	<b>50,385</b>	<b>33,109</b>	<b>7,614</b>	<b>-151,608</b>	<b>7,007</b>	<b>0</b>	<b>7,007</b>

The above directorate analysis of movement in balances reconciles back to the net cost of services within the comprehensive income and expenditure statement as follows:

2009/10 £'000	Reconcile segments to Net Cost of Services in Comprehensive Income and Expenditure Statement	2010/11 £'000
7,007	Movement in balances	957
	<i>Remove amounts reported to management not included in Net cost of Services</i>	
- 329	Other operating expenditure	- 2,042
- 21,478	Financing and investment income and expenditure	- 18,101
199,498	Taxation and non specific grant income	229,991
1,791	Adjustments between accounting basis & funding basis	- 80,033
- 3,976	Movement on reserves	- 5,445
<b>182,513</b>	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>125,327</b>

The net cost of services is identified subjectively below:

**Reconcile segments to total income and expenditure per Provision of Services Subjective Analysis 2010/11 £'000**

	Service analysis	year end adjustments	Amounts not included in net cost of services	Allocation of recharges	Net cost of services	Operating, financing and taxation	Surplus/deficit on the provision of services
Fees, charges & other service income	(100,656)	0	11,102	49,839	(39,715)	0	(39,715)
Interest and investment income	(1,117)	0	1,117	0	0	(1,117)	(1,117)
Income from council tax	(80,945)	0	80,945	0	(0)	(80,218)	(80,218)
Net surplus from trading operations	0	0	0	0	0	(489)	(489)
Government grants and contributions	(414,998)	0	92,042	811	(322,145)	(149,773)	(471,918)
<b>Total Income</b>	<b>(597,716)</b>	<b>0</b>	<b>185,206</b>	<b>50,650</b>	<b>(361,860)</b>	<b>(231,597)</b>	<b>(593,457)</b>
Employee expenses	241,904	0	(84,335)	(3,101)	154,468	0	154,468
Other service expenses	296,610	0	(6,144)	(2,409)	288,057	0	288,057
Support Service recharges	45,140	0	0	(45,140)	0	0	0
Depreciation, amortisation and impairment	0	0	44,662	0	44,662	0	44,662
Interest Payments	9,125	0	(9,125)	0	0	9,125	9,125
Precepts & Levies	449	0	(449)	0	0	449	449
Payments to Housing Capital Receipts Pool	0	0	0	0	0	6	6
Pensions interest costs	0	0	0	0	0	9,299	9,299
Investment and held for sale properties	0	0	0	0	0	1,473	1,473
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	1,397	1,397
<b>Total operating expenses</b>	<b>593,228</b>	<b>0</b>	<b>(55,391)</b>	<b>(50,650)</b>	<b>487,187</b>	<b>21,749</b>	<b>508,936</b>
<b>Movement in reserves</b>	<b>5,445</b>	<b>0</b>	<b>(5,445)</b>		<b>0</b>		<b>0</b>
<b>Surplus or deficit on the provision of services</b>	<b>957</b>	<b>0</b>	<b>124,370</b>	<b>0</b>	<b>125,327</b>	<b>(209,848)</b>	<b>(84,521)</b>

**Reconcile segments to total income and expenditure per Provision of Services Subjective Analysis 2009/10 £'000**

	Service analysis	year end adjustments	Amounts not included in net cost of services	Allocation of recharges	Net cost of services	Operating, financing and taxation	Surplus/deficit on the provision of services
Fees, charges & other service income	(96,529)	291	10,300	45,954	(39,984)	0	(39,984)
Interest and investment income	(2,390)	0	2,390	0	0	(2,390)	(2,390)
Income from council tax	(81,241)	0	81,241	0	0	(80,746)	(80,746)
Net surplus from trading operations	0	0	0	0	0	(112)	(112)
Government grants and contributions	(402,830)	0	91,750	848	(310,232)	(118,752)	(428,984)
<b>Total Income</b>	<b>(582,990)</b>	<b>291</b>	<b>185,681</b>	<b>46,802</b>	<b>(350,216)</b>	<b>(202,000)</b>	<b>(552,216)</b>
Employee expenses	239,122	0	(11,580)	(2,381)	225,161	0	225,161
Other service expenses	292,930	162	(13,620)	(917)	278,555	0	278,555
Support Service recharges	43,504	0	0	(43,504)	0	0	0
Depreciation, amortisation and impairment	0	0	29,013	0	29,013	0	29,013
Interest Payments	9,574	0	(9,574)	0	0	9,574	9,574
Precepts & Levies	438	0	(438)	0	0	438	438
Payments to Housing Capital Receipts Pool	0	0	0	0	0	15	15
Pensions interest costs	0	0	0	0	0	14,771	14,771
Investment and held for sale properties	0	0	0	0	0	(275)	(275)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(214)	(214)
<b>Total operating expenses</b>	<b>585,568</b>	<b>162</b>	<b>(6,199)</b>	<b>(46,802)</b>	<b>532,729</b>	<b>24,309</b>	<b>557,038</b>
<b>Movement in reserves</b>	<b>4,429</b>	<b>(453)</b>	<b>(3,976)</b>		<b>0</b>		<b>0</b>
<b>Surplus or deficit on the provision of services</b>	<b>7,007</b>	<b>0</b>	<b>175,506</b>	<b>0</b>	<b>182,513</b>	<b>(177,691)</b>	<b>4,822</b>

## 2 Changes in accounting estimates and policies

As required by the Government, and in line with rest of the public sector, the Council's accounts are now prepared under, and comply fully with, international financial reporting standards (IFRS). The accounting policies arising from adoption of these standards are disclosed elsewhere in these statements. The Council has made full retrospective application of these standards, and the statements reflect the position as if these policies had always been in place.

Adoption of IFRS has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the statement of accounts for 2009/10.

The main changes affect: -

- Fixed assets. Revaluations and impairments of investment properties are charged to the comprehensive income and expenditure statement (where they are now separately identified) rather than being charged to revaluation reserves. A number of properties were reclassified during 2009/10 as part of the preparatory IFRS work. As adoption of IFRS requires full retrospective application, the effect of these changes has been excluded from the 2009/10 comparator on restatement.
- Leases. The definition of a finance lease is less prescriptive than before with the result that more of the council's leasing arrangements (mainly for vehicles) fall to be classed as finance leases.
- Accumulated absences. Accrual is now required for untaken holiday pay, lieu time and flexi time at the year end. This represents the cost of service rendered by employees for which compensation (in the form of time off) has yet to be given.
- Grants. Grants (whether revenue or capital) are now recognised in the comprehensive income and expenditure statement once any outstanding conditions have been fulfilled. Previously, grants were matched to spend and so recognised when spent. This change impacts on creditors (with grants now recognised sooner than before) and there is a new capital grants reserve, for recognised capital grants where the spend has not yet occurred.

The following table maps the main changes from last year's audited statements to the restated IFRS accounts for 2009/10.

	IFRS 5 Held for sale assets £'000	IAS 16 Property, Plant & Equipment £'000	IAS 19 Compensated absences £'000	IAS 17 Leases £'000	IAS 40 Investment Properties £'000	IAS 20 Grants £'000	IFRS 1 First time adoption £'000	Total £'000
<b><u>Comprehensive income and expenditure statement</u></b>								
Net cost of services	5		-561	-40	-135	2,775	-1,895	149
Other operating expenditure					511			511
Financing and Investment income and expenditure				79	-477			-398
Taxation and non specific grant income						-22,211		-22,211
Compensating entries	-5		561	-39	101	19,112	1,895	21,625
Appropriation to reserves						324		324
<b>Net effect on General Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b><u>Balance sheet</u></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Fixed Assets</u></b>								
Held for sale assets - new heading	211							211
Property, Plant & Equipment	-211			949			-51	687
Investment Property							-125	-125
<b><u>Current assets/liabilities</u></b>								
Creditors (increase)/decrease			-4,851			14,616	-1	9,764
<b><u>Long term liabilities</u></b>								
Grants Deferred A/c - write out						65,941		65,941
Long term liability				-967				-967
<b><u>Usable Reserve</u></b>								
Capital Grants Unapplied A/c						-11,066		-11,066
Earmarked reserves						-3,550		-3,550
<b><u>Unusable Reserve</u></b>								
New heading - Accumulated Absences Adjustment A/c			4,851					4,851
Capital Adjustment A/c		0		18		-65,941	-1,422	-67,345
Revaluation Reserve							1,599	1,599
<b>Total balance sheet effect</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

During 2010/11, the Council moved to charging depreciation for a full year on all assets held at 1<sup>st</sup> April. Previously depreciation was charged for assets extant at mid year (30<sup>th</sup> September). As there are few asset sales or revaluations in the first half of the year, this change has very little effect on the total depreciation charges made (less than £2k in both 2010/11 and 2009/10). The change allows early in year charging of depreciation enabling services to plan ahead with confidence, with only a negligible impact on asset valuations. As the overall effect of this change is immaterial, the change is applied only from 2010/11, and has not been applied retrospectively.

### **3. Accounting standards that have been issued but have not yet been adopted**

There is one accounting policy change relating to Heritage Assets which has not yet been adopted. The Code will require adoption in 2011/12. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They would include historical buildings, sites, military and scientific equipment of historical importance, civic regalia, and museum and art gallery collections.

Heritage assets will be held at fair value where this is practicable. Otherwise, they will be held at cost. It is not expected that the Council will hold many heritage assets. Items such as civic regalia and museum and art collections are currently included as community assets, and included in the balance sheet at a nominal value. The insurance value of such items is £4m. Buildings such as Halifax town hall are used operationally and valued as such.

If practicable, some of those assets held as community assets at nil value may be revalued to fair value. Whilst this will increase asset values for these specific assets, it is not expected to make any significant impact on the overall value of fixed assets held on the balance sheet. Due to long asset lives and high residual values, there is not expected to be any significant change to the depreciation charges made to the comprehensive income and expenditure statement.

### **4. Critical judgements in applying accounting policies**

In applying the Council's accounting policies, various judgements have to be made. Those which have a significant bearing on the figures recognised in the financial statements include:

*Contingent Liabilities.* A number of issues have arisen with potential liabilities for the council, the outcome of which is based on possible future events. Those events for which, on balance, provision in the accounts is not warranted are detailed in section 35.

*Financial assets.* Only other operational debtors/creditors have been recognised as financial assets/liabilities under the financial instruments disclosure note. All other debtors and creditors are deemed to arise under statutory debts or not to arise from contracts requiring the delivery of cash/financial assets.

*Treatment of grants.* Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of that grant have been met or not. Grants with unmet conditions are included within creditors. Grants have been recognised through the comprehensive income and expenditure statement where conditions have been met. Sums have been appropriated into reserves where the grant monies have not yet been spent.

*Landfill Allowances Trading Scheme.* Unused balances, giving rights to landfill disposal, have been valued at a price based on trades during the year where there has been sufficient trading to provide a reliable estimate. There are unused allowances of 3000 tonnes at the year end, and trades have been conducted at between £nil and £20 per tonne. However, we consider that there have been insufficient trades during the year to provide a reliable price, and no values have been ascribed.

*Embedded leases.* All significant service contracts (with annual costs over £200k) have been analysed to identify whether there are any embedded lease arrangements, where delivery of the service is dependent upon the provision or supply of specific, identified assets. One contract for printers/photocopiers has been identified as an arrangement containing a lease. The arrangement has been considered and the leased assets accounted for as an operating lease, with disclosure being made in the relevant disclosure note.

*Finance leases.* All leases have been assessed to determine whether they should be classified as finance or operating leases. A small number of vehicles have been identified as being acquired on a finance lease basis. They are accounted for as Council owned assets and valued at £0.6m on the balance sheet, together with a commitment to pay future lease rentals.

*Private Finance Initiative.* We have determined that, in respect of the Council's 5 school pfi scheme, irrespective of legal title, control of the assets rests effectively with the council. One school is a foundation school which will, on termination of the contract, revert to the ownership of the governing body. In the meantime, due to the contractual arrangements in place between the council and the provider, this school along with the other four schools have been recognised as council assets with a value on the balance sheet of £66m, and a liability to pay future rentals of £46m.

*Group accounts.* We have considered relationships with a number of organisations involved in voluntary sector support, regional and local economic/development and tourist initiatives, and matters of common interest. We have determined that none fall to be accounted for within group accounting arrangements.

## **5. Assumptions made about the future and other major sources of estimation uncertainty**

The balance sheet contains some estimated figures based on possible future events, or which are otherwise uncertain. All relevant factors are taken into account in determining values for assets and liabilities, but actual results could differ from the estimates based on the assumptions made. Potentially material effects include:-

*Property, plant and equipment.* Assets are depreciated over their useful lives which are dependent on assumptions about the level of repairs and maintenance. Asset lives are reviewed as part of the annual revaluation programme. The Council is already rationalising its property portfolio and in view of funding cuts, it is possible that future investment in properties which don't feature within the Council's long term property solution will fall. For these properties, a reduction in asset life of one year could result in accelerated depreciation, and a reduction in total asset values of around £150k.

*Short term investments.* This is based on the assumption that all institutions will be able to repay these on the due dates. No counter party credit ratings have been adjusted after the balance sheet date, and none are known to be at risk.

*Debtors.* Approximately 65% of the debtors outstanding are public bodies from whom payment is fairly certain. The remainder have been assessed for credit liabilities – i.e. the chance that payment will not be made and that the asset should be impaired accordingly. Rates of non

payment are based on historical collection rates for council tax and other operational debtors. If collection rates were to worsen due to the current economic climate, an amount for additional impairment of debts of £50k would need to be set aside for each 5% fall in collection rates (an additional £150k for council tax debts)..

*Provisions.* The council has made provision for a variety of claims arising under the equal pay act and insured events. It is not certain how many claims will be received in the future but estimates have been made based on known cases and past claims experience. An increase of 10% in either the number or value of claims would increase the provision required by £400k. There is cover for such an eventuality within earmarked reserves for contingent liabilities.

*Employee benefits.* An accrual has been made in the accounts for the cost of untaken annual leave, lieu time and flexi time at the year end. The calculation is based on representative sampling across employees, grades and directorates. A change of 10% in the calculation of the average would result in a change of £0.1m in the accrual.

*Net pensions liability.* Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes to individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £54m. However, the assumptions interact in complex ways. During 2010/11, the actuaries advised that the net pensions liability had decreased by £52m as a result of estimates being corrected as a result of experience and decreased by £46m attributable to updating of the assumptions.

## **6. Material items of income and expense**

Impairments to property, plant and equipment values of £27m have been written down to service headings in net cost of services within the surplus/deficit on provision of services. Services have also borne the cost (£3m) of providing for staff reductions to facilitate future, long term savings.

## **7. Events after the balance sheet date**

These statements were authorised on the 10<sup>th</sup> June 2011. Events taking place after this date are not reflected in the financial statements or notes. Relevant events taking place after the year end, but before the date of authorisation are reflected where the event provides information on conditions existing at the balance sheet date. On the 4<sup>th</sup> April, Cabinet reprioritised £3.4m of reserves towards new capital projects. A disclosure to this effect has been made in note 10. A number of schools are pursuing academy status. A number of these are Foundation/VA schools and so not included in balance sheet figures. There are some primary schools which will require writing out at nil value if the proposals proceed.

## **8. not used**

## 9. Adjustment between accounting basis and funding basis under regulations

Proper accounting practices require recognition of certain items of income and expenditure within the comprehensive income and expenditure statement which are not required to be met under statutory provisions from council tax (e.g. retirement costs, asset valuations and depreciation charges). This note details the adjustments made and the reserves to which these entries have been moved before calculating the actual effect on general fund balances and future capital financing resources.

20010/11	General fund balance	Usable capital receipts reserve	Capital grants unapplied reserve	Collection fund adjust. a/c	Movement in unusable reserves
<b>Adjustments involving the capital adjustment a/c</b>					
<i>Reversal of items charged to the CIES</i>					
Charges for depreciation/impairment of non current assets	44,690				-44,690
Revaluation of PPE	-127				127
Movements in the market value of investment properties	1,554				-1,554
Movements in the market value of held for sale assets	678				-678
Amortisation of intangible assets	99				-99
Capital grants and contributions	-48,916		29,847		19,069
Net revenue expenditure funded from capital under statute	2,314				-2,314
Amounts of non current assets written off on disposal or sale	4,359				-4,359
<i>Insertion of items not charged to the CIES</i>					
Minimum revenue provision	-7,851				7,851
Capital expenditure funded from revenue	-4,796				4,796
<b>Adjustments involving the capital receipts reserve</b>					
Sale proceeds	-2,962	2,962			0
Other capital receipts		11			-11
Payment to the housing receipts pool	6	-6			0
Use of the capital receipts reserve to finance new capital expenditure		-305			305
<b>Adjustments involving the pensions reserve</b>					
Reversal of IAS19 pension charges	-52,689				52,689
Employers' pension contributions	-17,116				17,116
<b>Adjustments involving the collection fund adjustment a/c</b>					
Collection fund income recognised in the CIES	-80,218			80,218	0
Collection fund income recognised under statute	80,945			-80,945	0
<b>Adjustments involving the accumulating compensated absences adj a/c</b>					
accrual for holiday pay and similar items	-3				3
<b>Total adjustments</b>	<b>-80,033</b>	<b>2,662</b>	<b>29,847</b>	<b>-727</b>	<b>48,251</b>

2009/10	General fund balance	Usable capital receipts reserve	Capital grants unapplied reserve	Collection fund adjust. a/c	Movement in unusable reserves
<b>Adjustments involving the capital adjustment a/c</b>					
<i>Reversal of items charged to the CIES</i>					
Charges for depreciation/impairment of non current assets	29,385				-29,385
Revaluation of PPE	-424				424
Movements in the market value of investment properties	339				-339
Movements in the market value of held for sale assets	202				-202
Amortisation of intangible assets	52				-52
Capital grants and contributions	-22,211		8,164		14,047
Net revenue expenditure funded from capital under statute	3,362				-3,362
Amounts of non current assets written off on disposal or sale	867				-867
<i>Insertion of items not charged to the CIES</i>					
Minimum revenue provision	-16,651				16,651
Capital expenditure funded from revenue	-4,177				4,177
<b>Adjustments involving the capital receipts reserve</b>					
Sale proceeds	-1,081	1,081			0
Other capital receipts		30			-30
Payment to the housing receipts pool	15	-15			0
Use of the capital receipts reserve to finance new capital expenditure		-6,398			6,398
<b>Adjustments involving the pensions reserve</b>					
Reversal of IAS19 pension charges	28,392				-28,392
Employers' pension contributions	-16,213				16,213
<b>Adjustments involving the collection fund adjustment a/c</b>					
Collection fund income recognised in the CIES	-80,746			80,746	0
Collection fund income recognised under statute	81,241			-81,241	0
<b>Adjustments involving the accumulating compensated absences adj a/c</b>					
accrual for holiday pay and similar items	-561				561
<b>Total adjustments</b>	<b>1,791</b>	<b>-5,302</b>	<b>8,164</b>	<b>-495</b>	<b>-4,158</b>

## 10. Transfers to/from earmarked reserves

2009 £'000	2010 £'000	Reserves at 31st March	2011 £'000	
772	515	Property Rationalisation	497	This note sets out the main earmarked reserves held at the year end. All reserves are created either by service directorates under delegated powers or by specific Council resolution. Statutory school reserves are held in accordance with the Council's framework following statutory guidance. This provides for school surpluses to be carried forward into the following year. These reserves are earmarked only to schools and are committed to be spent on education services. The total level of schools reserves at 31 March 2011 is £9.816m. Five schools had deficits totalling £0.378m.
-	-	Severe weather	667	
-	256	Waste disposal	773	
-	-	Highways maintenance	683	
-	-	Early Year's reserve	629	
952	817	Children's social care transformation	1,006	
4,927	5,102	Investment reserve	4,916	
887	746	s106 Planning Agreements	820	
1,000	1,200	Waste Management	1,400	
15,292	15,412	Contingent Liabilities & staffing issues	15,302	
1,228	595	Early retirement	1,933	
1,321	1,934	IT reserves	2,056	
386	2,150	Performance Reward Grant	2,624	
2,879	1,780	Regeneration reserve	1,634	
1,620	1,926	Economic fighting Fund	743	
483	4,638	Policy reserves - carry forwards	420	
7,649	5,589	Other Earmarked Reserves*	8,662	
<b>39,396</b>	<b>42,660</b>	<b>Total non schools reserves</b>	<b>44,765</b>	
1,846	1,837	Schools staff absences	1,654	
2,102	2,520	School contingencies	3,196	
6,666	6,969	Statutory schools reserves	9,816	
<b>10,614</b>	<b>11,326</b>	<b>Total school reserves</b>	<b>14,666</b>	
<b>50,010</b>	<b>53,986</b>	<b>Reserves at 31st March</b>	<b>59,431</b>	

\* Other earmarked reserves include £3.4m reclassified by Cabinet on the 4<sup>th</sup> April 2011 towards funding new capital projects.

## 11. General Government Grants

Many Government grants are received towards specific services and are analysed as service income in the net cost of services. The main ones are as follows:

### Central services to the public

- Council tax benefit grant £16.2m (£15.9m in 2009/10)

### Housing services

- Housing benefit grant £61.0m (£55.4m)

### Education services

- Standards fund grant £15.8m (£15.0m)
- Schools standards grant £6.5m (£7.0m)
- Learning skills council grant £16.7m (£14.2m)
- Sure start grant £8.3m (£6.2m)
- Dedicated schools grant £135.1m (£130.6m)

### Other grants within net cost of services

£17.9m (£19.7m)  
£277.5m (£264.0m)

Certain grants are non specific and are included under "Government Grant not attributable to specific services". Non specific grants include:-

• Revenue support grant	£10.3m	(£14.9m in 2009/10)
• Area Based Grant	£15.5m	(£11.4m)
• PFI grant re interest on PFI scheme	£3.4m	(£3.5m)
• Performance reward grant	£0.5m	(£2.2m)
• Miscellaneous other	£0m	(£0.1m)
• Capital grants with fulfilled conditions	<u>£48.9m</u>	<u>(£16.1m)</u>
	£78.6m	(£48.2m)

Some grants have specific conditions attached to them and require repayment if the conditions are not met. These are not reflected in the comprehensive income and expenditure statement, but are carried as creditors until the conditions have been properly met. There are £5m included as short term creditors (£8m in 2009/10), which are mainly schools related grants.

Grants for capital schemes with no outstanding conditions which have not yet been applied to finance capital expenditure, are carried forward in the capital grants unapplied reserve pending development of the various schemes. This includes £26m accrued grant towards building the Academy school and £14m of other capital grants (£11m in 2009/10) mainly schools related capital grants.

## 12. Dedicated Schools Grant

The Council's expenditure on schools was funded by grant monies provided by the Department for Education. The Dedicated Schools Grant (DSG) is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes two elements; a restricted range of services provided on an authority-wide basis (central expenditure), and the Individual Schools Budget (ISB) which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately, with variances from the ISB impacting on individual schools' reserves, and variances on central expenditure being carried forward in reserves for future years' DSG. The whole amount of central expenditure carried forward into 2011/12 (£1.926m) is school related contingencies. The Council meets the full cost of the Schools Budget from DSG.

Details of the deployment of DSG receivable for 2010/11 are as follows:

<b>SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT</b>	<b>CENTRAL EXPENDITURE</b>	<b>INDIVIDUAL SCHOOLS BUDGET</b>	<b>TOTAL</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>2010/11</b>			
Final DSG for 2010/11	19,612	115,512	135,124
Brought forward from 2009/10	1,095	0	1,095
Carry forward to 2011/12 agreed in advance			0
Agreed budgeted distribution in 2010/11	20,707	115,512	136,219
Agreed central expenditure	-18,781		-18,781
Actual ISB deployed to schools		-115,512	-115,512
LA contribution for 2010/11	0	0	0
<b>Carry forward to 2011/12</b>	<b>1,926</b>	<b>0</b>	<b>1,926</b>
<b>2009/10</b>			
Final DSG for 2009/10	18,383	112,263	130,646
Brought forward from 2008/09	1,195	112	1,307
Carry forward to 2010/11 agreed in advance			0
Agreed budgeted distribution in 2009/10	19,578	112,375	131,953
Agreed central expenditure	-18,483		-18,483
Actual ISB deployed to schools		-112,375	-112,375
LA contribution for 2009/10	0	0	0
<b>Carry forward to 2010/11</b>	<b>1,095</b>	<b>0</b>	<b>1,095</b>

### 13. Other Long Term Commitments

In June 2003, the Council entered into a contract with a private sector partner to provide and manage 5 new build/refurbished schools (4 secondary, 1 primary) through a private finance initiative scheme. The value of these assets on the balance sheet at the start of the year was £68.9m. After depreciation and revaluations, the valuation of the schools at the year end was £66.3m. There is also a liability on the balance sheet to pay future lease rentals. Following in year payment, this fell from an opening liability of £47.1m to £45.9m.

The contract is for a period of 28 years, and the Council pays an annual unitary charge for the use and management of the premises. This charge is broken down into 3 elements – a service charge; repayment of the liability, and associated interest charges. The scheme attracts annual government grant funding with the net cost being met by Council contributions, and contributions from the schools.

Commitments to future payments under the schools PFI scheme are as follows:-

<b>Year ended 31st March 2011</b>	<b>Service Charges</b>	<b>Repayment of liability</b>	<b>Interest costs</b>	<b>Total unitary charge</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Less than one year	2.4	1.3	3.3	7.0
Between one and five years	10.2	6.1	12.3	28.6
Between five and ten years	14.0	10.0	13.0	37.0
Between ten and fifteen years	15.4	13.7	9.3	38.4
Between fifteen and twenty years	13.7	14.8	4.0	32.5
Between twenty and twenty-five years	0.0	0.0	0.0	0.0
	<b>55.7</b>	<b>45.9</b>	<b>41.9</b>	<b>143.5</b>

<b>Year ended 31st March 2010</b>	<b>Service Charges</b>	<b>Repayment of liability</b>	<b>Interest costs</b>	<b>Total unitary charge</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Less than one year	2.4	1.2	3.4	7.0
Between one and five years	10.0	5.7	12.7	28.4
Between five and ten years	13.7	9.4	13.6	36.7
Between ten and fifteen years	15.1	12.9	10.1	38.1
Between fifteen and twenty years	16.6	17.8	5.2	39.6
Between twenty and twenty-five years	0.3	0.1	0.3	0.7
	<b>58.1</b>	<b>47.1</b>	<b>45.3</b>	<b>150.5</b>

These commitments will be partly offset by the receipt of grant of £97m over the remaining life of the contract.

## 14. Trading Operations

These are activities of a commercial nature funded primarily by charges made to users. Some of these activities are included under the headings within the net cost of services. Where there is no such appropriate category under the service expenditure analysis, the net surplus/deficit is disclosed in summary form as part of other operating expenditure in the comprehensive income and expenditure statement.

<b>2009/10</b>		<b>TRADING OPERATIONS</b>	<b>2010/11</b>	
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
Surplus	Turnover		Surplus	Turnover
-111	2,296	Catering	51	2,051
44	1,630	Building Cleaning	47	1,618
445	4,950	Transport	391	5,004
289	1,590	Markets	295	1,648

even targets for all trading operations apart from markets and transport for which there were profit targets of £229k and £203k respectively.

This table shows all significant trading operations (deemed to be those with turnover in excess of £1m), whether reported within net cost of services, or disclosed under the heading "surplus/deficit from trading operations". There are break

## **15. Health Act 1999 pooled funds**

The Council has entered into a partnership with the Calderdale Primary Care Trust under section 31 of the Health Act 1999 to administer the “Integrated community equipment service”.

### Integrated community equipment service

The aim is for a one stop provision of information on equipment and services and appropriate assessments for the people of Calderdale and so deliver an integrated community equipment service for the Borough. The gross expenditure of the partnership for the year was £476k (£546k in 2009/10) and gross income was £476k (£546k). The Council's contribution was £401k (£413k).

## **16. Members' Allowances**

The total amount paid in respect of members' allowances in 2010/11 was £712k (£718k in 2009/10). In accordance with regulations these have been advertised as being available for public inspection.

## **17. Officers' & Teachers' Remuneration**

Under the Accounts and Audit (England) Regulations 2011, there is a requirement to disclose the remuneration of senior employees. Senior employees are defined as holders of specific statutory posts, and those employees identified as having responsibility for the management of the Council.

		Salary fees & allowances £'000	Bonuses £'000	Expenses £'000	Compens- ation payments £'000	Pension contributions £'000	Non cash benefits £'000	Total remuneration £'000
<u>Current Senior Officers</u>								
Chief Executive	2010/11	147		1		22		170
	2009/10	145		1		20		166
Deputy chief executive <sup>1</sup>	2010/11	115				17		132
	2009/10	121				17		138
Head of Finance	2010/11	92				14		106
	2009/10	90				13		103
Head of democratic & partnership services <sup>2</sup>	2010/11	82				12		94
	2009/10							0
Director of children and young people <sup>3</sup>	2010/11	122		1		18		141
	2009/10	76				11		87
Director of economy and environment <sup>3</sup>	2010/11	122				18		140
	2009/10	69				10		79
Director of safer and stronger <sup>3</sup>	2010/11	112		1		17		130
	2009/10	27				4		31
Director of adults, health and social care	2010/11	117		1		17		135
	2009/10	117		1		16		134
<u>Former Senior Officers</u>								
Former group director corporate services	2010/11				182	8		246
	2009/10	56						
Former head of democratic & partnership services	2010/11					10		81
	2009/10	71						
Former group director community services	2010/11					7		58
	2009/10	51						
<u>Acting Senior Officers</u>								
Acting group director children and young people <sup>4</sup>	2010/11							
	2009/10	41				6		47
Acting group director regeneration & development <sup>5</sup>	2010/11							
	2009/10	71				0		71
Acting group director safer and stronger <sup>5</sup>	2010/11							
	2009/10	24				0		24

<sup>1</sup> Left in 2010/11

<sup>2</sup> Appointed during 2010/11

<sup>3</sup> Appointed during 2009/10

<sup>4</sup> Also included in the 09/10 figures in the table below

<sup>5</sup> Interim consultants

The regulations also require, in addition to the above, disclosure in bands of £5k, of the number of employees (including schools based staff) whose remuneration during the period covered by the accounts exceeds £50k. Remuneration means all amounts paid to or receivable by an employee, and expense allowances chargeable to UK tax. The figures below include termination settlements as appropriate. Other than where noted, the following table excludes all those listed above.

No. of staff 2009/10		Officers' and Teachers' Remuneration £	No. of staff 2010/11	
Teaching staff	Non teaching staff		Teaching staff	Non teaching staff
66	21	50,000 - 54,999	54	22
33	13	55,000 - 59,999	38	11
24	5	60,000 - 64,999	27	5
6	2	65,000 - 69,999	13	2
2	4	70,000 - 74,999	3	6
7	5	75,000 - 79,999	2	5
2	4	80,000 - 84,999	5	5
3		85,000 - 89,999	2	1
1	1	90,000 - 94,999	3	
1		95,000 - 99,999		
1	1	100,000 - 104,999		
2		105,000 - 109,999	1	
1	1	110,000 - 114,999		1
		115,000 - 119,999	1	1
		120,000 - 124,999	1	
	2	125,000 - 129,999		
	2	130,000 - 134,999		
	1	160,000 - 164,999		
	1	170,000 - 174,999		
	1	210,000 - 214,999		
149	64		150	59

## 18. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The purpose of the disclosure is to enable consideration of the extent to which there exists the potential for restriction of commercial activity in the dealings of the Council.

The following related parties have been identified for the purposes of this disclosure:-

- Central Government
- Other Public Bodies (including other local authorities and precepting and levying authorities).
- Certain companies, partnerships and organisations
- Pension Fund
- Members and Chief Officers (including close family and any organisations in which they or their close family have a controlling interest).
- Central Government

Central government is responsible for specifying the statutory framework within which local authorities operate, and prescribing the terms of many transactions undertaken. It also provides the majority of its funding. The main grants receivable are detailed in note 11. Year end debtor and creditor balances with central government are shown in notes 29 and 32.

- Other Public Bodies

Precepts paid to parish councils are shown in the comprehensive income and expenditure statement. Precepts paid to West Yorkshire Fire and Rescue Authority and the West Yorkshire Police Authority are shown in the collection fund.

The levies paid to the West Yorkshire Passenger Transport Authority of £8.4m (£8.3m) and to the Environment Agency of £0.06m (£0.05m) are included in service expenditure in the net cost of services.

Pooled budget arrangements with the Calderdale PCT are detailed in note 15.

Residual services following the transfers of various functions are now provided by Joint Committees of the five West Yorkshire districts. Contributions to meet the net costs of these services are made by the five districts on the bases of population or rateable values. The contributions made during the year by the Council (detailed below) are included in net cost of services.

Joint Committee	Expenditure £'000	
Waste Management Residuary Body	147	(£170k)
Joint Services Committee	541	(£533k)
Coroners Committee	278	(£231k)
Probation/Magistrates Court	7	(£8k)

- Companies, partnerships and organisations

The Council has no interest in any entities which would be required to be accounted for as subsidiaries, associates or joint ventures. The Council receives investment income from the Yorkshire Purchasing Organisation (a public sector purchasing consortium), and the dividend of £0.3m payable in 2010/11 has been accrued as a debtor.

- Pension Fund

Payments to the West Yorkshire Superannuation Fund and the Teachers' Pension Fund are disclosed in note 37. Pension fund creditors are included in disclosure note 32.

- Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. Chief officers (members of the senior management team and statutory officers) are in a position of significant influence. This definition is extended to include close family members.

A questionnaire was circulated to all Members and Chief Officers asking them to declare any related party transactions. Apart from minor involvement in, membership of, employment by, or ownership of companies, institutions or organisations providing services to, or in receipt of services or funding from the Council, the following specific disclosures are made: -

- One councillor is the chief executive of Age Concern, a local voluntary organisation which receives a significant proportion of its funding (£1.2m in 10/11 and £0.9m in 09/10) from the Council through a mixture of grants and contract payments. His wife is also a councillor.

Members are under a statutory duty to disclose specific financial interests which are registered and open to public inspection. Members are also required to disclose financial and other interests in matters being considered at meetings at which they are present.

In addition, employees are required by the officers' code of conduct to declare to their chief officers any financial or non financial interests which could conflict with those of the Council. Such declarations are registered with the Head of Democratic and Partnership Services.

## 19. External Audit Fees

<b>FEES PAYABLE</b>			These are the fees for external audit services under the 1998 Audit Commission Act which were incurred during the year by the Council.
<b>2009/10</b>	<b>UNDER THE AUDIT COMMISSION ACT</b>	<b>2010/11</b>	
<b>£'000</b>	<b>FOR EXTERNAL AUDIT SERVICES</b>	<b>£'000</b>	
284	External audit services	273	
80	Certification of grant claims and returns	75	
18	Statutory inspection	4	

## 20. Property, plant and equipment.

Property, plant and equipment are tangible assets (i.e those with physical substance) held for the provision of services (either directly or indirectly through other parties) or for administrative purposes.

Property, plant and equipment does not include 21 voluntary aided schools and 11 foundation schools. These schools are legally owned by the diocese or by the board of governors respectively and it is they who bear the risks and benefits associated with ownership (i.e. responsibility for maintenance and insurance, sale proceeds etc). Continuing access to the assets relies on the extended goodwill of the governing body or diocese.

It is only the buildings themselves which are excluded from the accounting statements. All running costs associated with service provision and DSG grant funding are included in the accounting statements, and these schools' balances (£3.4m) are included in the balance sheet as part of overall school balances.

The schools provided under the pfi agreement are accounted for as Council schools (even though legal ownership rests elsewhere) as it is considered that the Council effectively controls them through contractual arrangements. This scheme includes one school which is a foundation school and which will, on termination of the agreement, revert to the governing body. Unlike other foundation schools, this school is included as a Council school as there are contractual arrangements in place for the provision of such an asset with a third party (there are no such contractual commitments with other foundation or voluntary aided schools).

Movement on Tangible Fixed assets y/e 31st March 2011	Property, Plant and Equipment (PPE)						Total PPE Assets
	Land and Buildings	Vehicles, Plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31/3/10	473,989	0	0	0	3,997	0	477,986
Accumulated spend	38,251	10,957	109,665	5,067	192	6,670	170,802
Accumulated depreciation	-26,999	-6,063	-33,079	0	-26	0	-66,167
<b>Net Book Value at 1/4/10</b>	<b>485,241</b>	<b>4,894</b>	<b>76,586</b>	<b>5,067</b>	<b>4,163</b>	<b>6,670</b>	<b>582,621</b>
<i>Movements during the year</i>							
Additions	14,995	332	8,977	675	0	9,984	34,963
Disposals	-3,804				-130		-3,934
Revaluations							
- to revaluation reserve	12,307						12,307
- to surplus/deficit on provision of services	127						127
Impairments							
- to revaluation reserve	-15,063			-86	-5,347		-20,496
- to surplus/deficit on provision of services	-20,002			-80	-6,731		-26,813
Reclassifications	-4,692			938	10,178	-13,945	-7,521
<i>Depreciation during the year</i>							
Depreciation charged	-12,143	-1,344	-4,386	0	-4	0	-17,877
Disposals	27				6		33
Revaluations							
- to revaluation reserve	8,711						8,711
- to surplus/deficit on provision of services							0
Impairments							
- to revaluation reserve	5,266			31	1,150		6,447
- to surplus/deficit on provision of services							0
Reclassifications	3,373			-69	-1,152		2,152
<b>Net Book Value at 31/3/11</b>	<b>474,343</b>	<b>3,882</b>	<b>81,177</b>	<b>6,476</b>	<b>2,133</b>	<b>2,709</b>	<b>570,720</b>
Certified Valuation at 31/3/10	472,237				2,148	0	474,385
Accumulated spend	23,871	11,289	118,642	6,514	11	2,709	163,036
Accumulated depreciation	-21,765	-7,407	-37,465	-38	-26	0	-66,701
<b>Net Book Value at 31/3/11</b>	<b>474,343</b>	<b>3,882</b>	<b>81,177</b>	<b>6,476</b>	<b>2,133</b>	<b>2,709</b>	<b>570,720</b>
<i>Nature of asset holding</i>							
Owned	408,033	3,269	81,177	6,476	2,133	2,709	503,797
Finance lease		613					613
PFI	66,310						66,310
	<b>474,343</b>	<b>3,882</b>	<b>81,177</b>	<b>6,476</b>	<b>2,133</b>	<b>2,709</b>	<b>570,720</b>

Movement on Tangible Fixed assets y/e 31st March 2010	Property, Plant and Equipment (PPE)						Total PPE Assets
	Land and Buildings	Vehicles, Plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31/3/09	451,023				3,796	314	455,133
Accumulated spend	30,830	9,392	99,923	4,391	41	799	145,376
Accumulated depreciation	-23,570	-4,803	-29,082		-38	0	-57,493
<b>Net Book Value at 1/4/09</b>	<b>458,283</b>	<b>4,589</b>	<b>70,841</b>	<b>4,391</b>	<b>3,799</b>	<b>1,113</b>	<b>543,016</b>
<i>Movements during the year</i>							
Additions	19,486	1,565	9,742	676	151	6,043	37,663
Disposals	-260				-82	0	-342
Revaluations							
- to revaluation reserve	25,549				500		26,049
- to surplus/deficit on provision of services	378				46		424
Impairments							
- to revaluation reserve	-1,574				-77		-1,651
- to surplus/deficit on provision of services	-13,527				-186		-13,713
Reclassifications	335				0	-486	-151
<i>Depreciation during the year</i>							
Depreciation charged	-10,923	-1,260	-3,997		-6	0	-16,186
Disposals	10				0	0	10
Revaluations							
- to revaluation reserve	6,957						6,957
- to surplus/deficit on provision of services							0
Impairments							
- to revaluation reserve	31						31
- to surplus/deficit on provision of services	496				18		514
Reclassifications	0				0		0
<b>Net Book Value at 31/3/10</b>	<b>485,241</b>	<b>4,894</b>	<b>76,586</b>	<b>5,067</b>	<b>4,163</b>	<b>6,670</b>	<b>582,621</b>
Certified Valuation at 31/3/10	473,989				3,997	0	477,986
Accumulated spend	38,251	10,957	109,665	5,067	192	6,670	170,802
Accumulated depreciation	-26,999	-6,063	-33,079		-26	0	-66,167
<b>Net Book Value at 31/3/10</b>	<b>485,241</b>	<b>4,894</b>	<b>76,586</b>	<b>5,067</b>	<b>4,163</b>	<b>6,670</b>	<b>582,621</b>
<i>Nature of asset holding</i>							
Owned	416,345	3,945	76,586	5,067	4,163	6,670	512,776
Finance lease		949					949
PFI	68,896						68,896
	<b>485,241</b>	<b>4,894</b>	<b>76,586</b>	<b>5,067</b>	<b>4,163</b>	<b>6,670</b>	<b>582,621</b>

The Council has identified sufficient capital resources to progress its approved capital programme which includes one-off grant funding of £35m for secondary school schemes, specific projects of £20m and rolling programmes of highways works, housing grants and general school improvements costing approximately £16m p.a.

The Council is contractually committed as at the 31<sup>st</sup> March 2011 to expenditure of £31m (£1.5m) under contracts at primary schools, and the building of the new Trinity Academy school. Individual contractual commitments over £0.5m include: -

- Heptonstall primary school £1.5m
- Salterhebble primary school £2.0m
- Trinity Academy £27.0m

## 21. Investment properties

2010	Movement on Investment Properties	2011
		£'000
8,714	Certified Valuation at 1st April	7,990
98	Accumulated spend	102
0	Accumulated depreciation	0
<b>8,812</b>	<b>Net Book Value at 1st April</b>	<b>8,092</b>
	<i>Movements during the year</i>	
8	Additions	79
-389	Disposals	-247
	Revaluations	
0	- to revaluation reserve	96
152	- to surplus/deficit on provision of services	364
	Impairments	
0	- to revaluation reserve	
-491	- to surplus/deficit on provision of services	-3,999
0	Reclassifications	6,581
	<i>Depreciation during the year</i>	
0	Depreciation charged	0
0	Disposals	0
	Revaluations	
	- to revaluation reserve	5
	- to surplus/deficit on provision of services	0
	Impairments	
	- to revaluation reserve	
	- to surplus/deficit on provision of services	2,081
	Reclassifications	-2,086
<b>8,092</b>	<b>Net Book Value at 31st March</b>	<b>10,966</b>
7,990	Certified Valuation at 31st March	10,791
102	Accumulated spend	175
0	Accumulated depreciation	
<b>8,092</b>	<b>Net Book Value at 31st March</b>	<b>10,966</b>
	<i>Nature of asset holding</i>	
8,092	Owned	10,966
	Finance lease	
	PFI	
<b>8,092</b>		<b>10,966</b>

Investment properties are those assets held solely to earn rentals or for capital appreciation, and are not used to provide services or for administrative purposes. Rental income of £0.8m (£0.8m) was earned in the year.

Investment properties are measured at fair value reflecting market values at the balance sheet date. After initial recognition, gains and losses on revaluation are recognised in the surplus/deficit on the provision of services. Investment properties are not depreciated.

## 22. Held for sale assets

2010	Movement on Held for sale assets	2011
£'000		£'000
274	Certified Valuation at 1st April	156
4	Accumulated spend	55
0	Accumulated depreciation	0
<b>278</b>	<b>Net Book Value at 1st April</b>	<b>211</b>
	<i>Movements during the year</i>	
130	Additions	0
-146	Disposals	-211
	Revaluations	
	- to surplus/deficit on provision of services	
	Impairments	
0	- to revaluation reserve	0
-202	- to surplus/deficit on provision of services	-744
151	Reclassifications	940
	<i>Depreciation during the year</i>	
0	Depreciation charged	0
0	Disposals	0
	Revaluations	
	- to revaluation reserve	
	- to surplus/deficit on provision of services	
	Impairments	
	- to revaluation reserve	0
	- to surplus/deficit on provision of services	66
	Reclassifications	-66
<b>211</b>	<b>Net Book Value at 31st March</b>	<b>196</b>
156	Certified Valuation at 31st March	191
55	Accumulated spend	5
0	Accumulated depreciation	
<b>211</b>	<b>Net Book Value at 31/3/10</b>	<b>196</b>
	<i>Nature of asset holding</i>	
211	Owned	196
	Finance lease	
	PFI	
<b>211</b>		<b>196</b>

A held for sale asset is an asset available for immediate sale which is being actively marketed for sale at a reasonable price in relation to its fair value, and for which a sale is highly probable. Held for sale assets are measured at the lower of carrying value and fair value less costs to sell. Impairment and revaluation losses are recognised in the surplus/deficit on the provision of services (even where there is a balance on the asset's revaluation reserve). Revaluation gains are only recognised up to the level of impairment or revaluation losses previously recognised (adjusted for depreciation). Held for sale assets are not depreciated.

## 23. Intangible assets

2009/10	Movement on Intangible Fixed Assets	2010/11
£'000		£'000
592	Historical cost at 1st April	824
-255	Accumulated depreciation	-307
337	Net Book Value at 1st April	517
232	Additions in year	0
-52	Depreciation in year	-99
<b>517</b>	<b>Net Book Value at 31st March</b>	<b>418</b>

The only intangible assets held by the Council are software licences. They are held at cost and amortised to revenue over the same period as the IT systems to which they relate.

## 24. Valuation of Tangible Fixed Assets

- Property assets. The Council's land and buildings property stock have been valued by the Council's in house valuers J Wilkinson MRICS, D Gilliard FRICS and S Hoyle MRICS, on the basis of current value in existing use, except where a building is of a specialised nature and there is no available market evidence, in which case depreciated replacement cost has been used, based on a modern equivalent asset using the instant build approach. Property assets at fair value are revalued in line with the professional valuation standards of the Royal Institution of Chartered Surveyors, either on a rolling programme basis over a 5 year period (PPE assets), or are assessed annually to reflect market values at the balance sheet date (investment properties and held for sale assets). Valuations have been undertaken as follows: -

Date valued	Land and Buildings	Vehicles, Plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Investment Properties	Held for sale assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2010/11	130,648				914		4,175	165	135,902
2009/10	108,782				129		1,058	26	109,995
2008/09	39,989				100		553	-	40,642
2007/08	177,411				190		2,779	-	180,380
2006/07	15,407				815		2,226	-	18,448
<b>Certified value</b>	<b>472,237</b>				<b>2,148</b>		<b>10,791</b>	<b>191</b>	<b>485,367</b>
<b>Net Book Value</b>	<b>474,343</b>	<b>3,882</b>	<b>81,177</b>	<b>6,476</b>	<b>2,133</b>	<b>2,709</b>	<b>10,966</b>	<b>196</b>	<b>581,882</b>

Building values have generally risen. The majority of high value assets are specialised. They are valued using appropriate average building cost information services indices reflecting property type and locality, and so echo measures other than market values. Land values have generally fallen. They have been revalued according to assumptions which better reflect land use planning allocations within the Council's unitary development plan.

- Plant, vehicles and equipment are held at current value. Where asset lives are 5 years or less, or the value of the item is less than £300k, historical cost is taken as a proxy for current value.
- Infrastructure assets (e.g. highways and bridges), community assets (e.g. parks, cemeteries) and assets under construction are measured at historical cost. Community assets were recorded initially at nominal value, with subsequent expenditure being capitalised at historical cost. All other assets are held at fair value.

With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment are depreciated over their useful economic lives. Depreciation is calculated by writing off the valuation of the asset less estimated residual value over the useful life of the asset calculated on an individual basis dependent upon the type of asset. For example: -

- Buildings have been depreciated on a straight line basis over various periods (eg public conveniences – 10 years; schools, swimming baths, sports centres, museums – 30 years; car parks, libraries – 50 years).
- Infrastructure assets have been depreciated on a straight line basis over 25 years.
- Plant, vehicles and equipment have been depreciated on a straight line basis over periods of between 5 and 15 years.

## 25. Financing of capital expenditure

This table shows how the Council's total capital expenditure in the year has been financed. Expenditure which can be met from capital resources, but which is not expenditure on fixed assets owned by the Council (refcus) comprises mainly spend on housing related grants and

2009/10	2010/11	
<b>Capital expenditure</b>	<b>£'000</b>	
37,663 Property, plant and equipment	34,963	advances, and foundation
8 Investment properties	79	or voluntary aided
130 Held for sale assets	0	schools. This is treated
232 Intangible assets	0	as revenue expenditure
52 Investments	16	and is included with any
51 Long Term Debtors	62	associated grant funding
12,108 Revenue expenditure financed by capital (refcus)	11,128	in net service costs within
<b>50,244</b>	<b>46,248</b>	the surplus/deficit on
<b>Financed by</b>		services. Adjustments are
13,376 Borrowing	13,264	made to these entries so
6,398 Capital Receipts	305	that the net cost can be
22,793 Grants & Contributions	27,883	met through capital
3,500 Funded by provision	0	resources and does not
4,177 Revenue & Reserves	4,796	fall on council taxpayers.
<b>50,244</b>	<b>46,248</b>	Expenditure under the
		equity homebuy scheme
		is shown as an
		investment, and other
		loans are included as
		long term debtors.

## 26. Trust Funds

As they are not balances of the Council, the balance sheet does not include any cash or investments held by the Council on behalf of third parties.

- The Council is sole trustee of £0.324m held for two charities, principally the Heath Charity. The Council maintains and operates the Heath Training and Development Centre on behalf of the Heath Charity, whose objective is to advance the education of local young people. The premises have a value of £4.6m but as these are held on trust, they do not form part of the Council's asset stock.
- The Council holds funds for residents in social services homes, and other bodies on whose behalf the Council collects cash (a total of £0.227m).

## 27. Finance and Operating Leases

### ***Lease rental payments (the Council as lessee).***

#### *Finance leases*

The Council has finance leases in place for a number of vehicles. The net carrying amount of this equipment at 31<sup>st</sup> March 2011 is £0.6m (£0.9m in 2009/10).

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property, and interest costs accruing while the liability remains outstanding. Commitments to future minimum finance lease payments for these items are as follows:-

	2010/11			2009/10		
	Repayment of liability £m	Interest costs £m	Total charge £m	Repayment of liability £m	Interest costs £m	Total charge £m
Less than one year	0.4	0.0	<b>0.4</b>	0.3	0.1	<b>0.4</b>
Between one and five years	0.3	0.0	<b>0.3</b>	0.7	0.0	<b>0.7</b>
Over five years	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
	0.7	0.0	<b>0.7</b>	1.0	0.1	<b>1.1</b>

There are also a small number of properties on long-term leases mainly exceeding 100 years. The net book value of these properties is £6.2m (£6.6m). Premium payments were made at the time of entering into the lease, so there are no outstanding liabilities or future lease rental payments for these properties.

### *Operating leases*

The Council has in place arrangements for the provision of a number of vehicles, sweepers and printers/photocopiers which are accounted for on an operating lease basis. Rental payments of £0.5m were made during the year (£0.5m in 2009/10), and these are included in the net cost of services. Commitments to future operating lease payments for the Council are as follows:-

	2010/11 Future rental costs £m	2009/10 Future rental costs £m
Less than one year	0.9	0.5
Between one and five years	1.8	2.6
Over five years		0.2
	<u>2.7</u>	<u>3.3</u>

The Council is also lessee for a few, predominantly short-term, property leases. The current minimum value of future lease payments is £3.7m (£6.0m).

	2010/11 Future rental costs £m	2009/10 Future rental costs £m
Less than one year	0.6	0.6
Between one and five years	1.8	2.0
Over five years	1.3	1.5
	<u>3.7</u>	<u>4.1</u>

### ***Lease rental income (the Council as lessor).***

#### *Operating leases*

The Council has a number of premises which it makes available on an operating lease basis (that is for lease terms substantially less than the expected lives of the assets which in terms of the risks and rewards of ownership remain the Council's assets). The Council had rental income of £1.4m (£1.5m in 2009/10) receivable during the year.

	2010/11				2009/10			
	Shops £m	Markets £m	Offices/other £m	Total £m	Shops £m	Markets £m	Offices/other £m	Total £m
Less than one year	0.7	0.3	0.1	<b>1.1</b>	0.8	0.3	0.1	<b>1.2</b>
Between one and five years	1.5		0.2	<b>1.7</b>	2.0		0.2	<b>2.2</b>
Over five years	0.7		0.2	<b>0.9</b>	1.0		0.2	<b>1.2</b>
	<u>2.9</u>	<u>0.3</u>	<u>0.5</u>	<u><b>3.7</b></u>	<u>3.8</u>	<u>0.3</u>	<u>0.5</u>	<u><b>4.6</b></u>

## 28. Inventories

This is a summary of stocks and work in progress at the year end by directorate.

2008/09 £'000	2009/10 £'000	ANALYSIS OF STOCKS & WORK IN PROGRESS	2010/11 £'000
<b>Stocks</b>			
33	27	Children and Young People's Services	34
102	111	Safer and Stronger Communities	112
461	269	Economy and Environment	450
52	62	Chief Executive's Office	25
648	469		621
<b>Work in Progress</b>			
422	172	Economy and Environment	178
422	172		178
<b>1,070</b>	<b>641</b>	<b>Totals</b>	<b>799</b>

## 29. Short term debtors.

<u>2009</u>		<u>2010</u>		ANALYSIS OF DEBTORS	<u>2011</u>	
Debt *	Allowance	Debt	Allowance	AT 31st MARCH	Debt	Allowance
£'000	£'000	£'000	£'000		£'000	£'000
14,531		18,747		Central government	33,641	
310		400		Other local authorities	668	-2
684		883		Health bodies	1,019	
0		0		Public corporations	6	
9,681	-1,378	12,491	-1,634	Other operational debtors	12,111	-1,916
6,940	-2,577	7,754	-3,005	Council tax payers	8,569	-3,671
1,679		2,047		Prepayments	2,170	
<b>33,825</b>	<b>-3,955</b>	<b>42,322</b>	<b>-4,639</b>	<b>Total Debtors</b>	<b>58,184</b>	<b>-5,589</b>

\* Other than council tax payers and prepayments, the information to categorise debtors at 31<sup>st</sup> March 2009 by type is not available. For comparison purposes, the total of £25,206k has been apportioned across the categories pro rata to the balances identified at 31<sup>st</sup> March 2010.

This is an analysis of sums owing to the Council and not received by the 31<sup>st</sup> March 2011 (but due within 12 months of that date), and of any prepayments made. To mitigate against the risk of non payment of debts, the main categories of debtor have been reviewed for impairment both individually and collectively, and appropriate provision made for monies due which it is anticipated may not be recovered. Charges during the year for impairment of debtors of £0.5m have been made to the net cost of services in the comprehensive income and expenditure statement, and £0.7m to the collection fund in respect of the Council's share of council tax arrears.

## 30 Short Term Investments

These are cash balances held over the year end and temporarily lent out to other local authorities and financial institutions. The balance reflects invested amounts at the balance sheet date. These are distinct from cash equivalents as the liquidity of the investment is for a fixed period and the investments cannot be cashed in other than at the arranged date without consent of the counterparty and probable penalties.

### 31 Cash and cash equivalents

Cash and cash equivalents are principally school bank account balances. For the purpose of the cashflow, the total cash movement also includes the Council's reconciled bank balance.

	<b>Cash and cash equivalents</b> £'000	<b>Bank overdraft</b> £'000	<b>Total per cashflow</b> £'000
<i>2010/11</i>			
Balance at 1st April	14,894	-6,588	8,306
Balance at 31st March	16,969	4,624	21,593
<b>Movement in year</b>	<b>-2,075</b>	<b>-11,212</b>	<b>-13,287</b>
<i>2009/10</i>			
Balance at 1st April	12,510	-5,204	7,306
Balance at 31st March	14,894	-6,588	8,306
<b>Movement in year</b>	<b>-2,384</b>	<b>1,384</b>	<b>-1,000</b>

### 32 Short term creditors

<b>2009 *</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>	<b>ANALYSIS OF CREDITORS AT</b> <b>31st MARCH</b>	<b>2011</b> <b>£'000</b>
8,265	7,186	Central government	6,498
4,903	4,263	Other local authorities	1,100
640	556	Health bodies	243
0	0	Public corporations	0
25,203	21,913	Other operational creditors	19,479
5,412	4,851	Accumulated absences	4,848
2,608	3,091	Pension Funds	3,047
1,834	2,056	Council tax payers	2,199
6,809	8,389	Other accruals and deferred income	5,406
<b>55,674</b>	<b>52,305</b>	<b>Total Creditors</b>	<b>42,820</b>

\* The information to identify creditors at 31<sup>st</sup> March 2009 for the first five categories is not available. For comparison purposes, the total of £39,011k has been apportioned across the categories pro rata to the balances identified at 31<sup>st</sup> March 2010.

These are sums owed by the Council which have not been paid at the 31<sup>st</sup> March 2011 and which are due for settlement within one year. The analysis also includes other monies received in advance of services being provided or grant conditions being fulfilled, and which will be recognised as income once services have been provided or grant conditions met.

### 33 Provisions

#### (i) Insurance and other claims (£3.4m)

Provision has been made for possible settlement of a number of insurance claims. The Council is self-insured up to specific limits for various categories of risk. Any claims beyond these specific limits are insured externally. The level of provision made is adequate to meet the Council's estimated known liabilities under its self insurance arrangements for all outstanding claims. Claims can take a number of years to resolve with, on average, annual settlements of around £1m to £1.5m being made.

All insurance categories, other than public liability claims, have been provided for in full. Public liability claims have been provided for at 50%. This is considered reasonable on the basis of past claims experience.

(ii) Employee related claims (£4.2m).

Provision has been made for some redundancy costs accruing as part of the need to identify future service savings. This category also includes provision for possible settlements under the Equal Pay Act. Many equal pay claims have now been settled, or agreements struck. It is expected that all these claims will be settled within the coming year.

(iii) Social care issues (£0.3m)

Provision has been made for the following: -

- Settlements under section 117 of the Mental Health Act 1983, following the judicial finding against the practice of charging for residential and nursing home care for residents subject to section 117 after care review;
- Leaving care payment entitlements for young people leaving care;

Cases are being actively pursued and, taking into account personal circumstances, it is expected that the majority of settlements will be made over the next two years.

(iv) Capital provision (£3.5m)

Recognition has been made of future capital expenditure requirements relating to land restoration obligations. Discussions are ongoing as to the nature of the work required. Capital financing resources will need to be found when this work takes place.

All material provisions are listed below:

<b>ANALYSIS OF MOVEMENT IN PROVISIONS 2011</b>	<b>Insurance claims £'000</b>	<b>Employee related £'000</b>	<b>Social care Issues £'000</b>	<b>Capital provision £'000</b>	<b>Total £'000</b>
Opening balance (1/4/10)	2,813	842	350	3,500	7,505
Additional provision made	1,604	3,724			5,328
Settlements made	-1,006	-353			-1,359
Reversal of amounts not used			-81		-81
<b>Closing balance (31/3/11)</b>	<b>3,411</b>	<b>4,213</b>	<b>269</b>	<b>3,500</b>	<b>11,393</b>

<b>ANALYSIS OF MOVEMENT IN PROVISIONS 2010</b>					
Opening balance (1/4/09)	2,176	4,506	350	0	7,032
Additional provision made	2,203		0	3,500	5,703
Settlements made	-1,566	-2,592	0	0	-4,158
Reversal of amounts not used		-1,072	0	0	-1,072
<b>Closing balance (31/3/10)</b>	<b>2,813</b>	<b>842</b>	<b>350</b>	<b>3,500</b>	<b>7,505</b>

### 34 Details of movements on reserves during the year.

**Usable reserves** are those reserves which the Council can, at its own discretion, call upon to fund its operating activities and capital investment. These are shown in the movement in reserves statement. Gains and losses during the year arising from operating performance are reflected in the surplus/deficit on the provision of services. The movement in reserves statement also identifies appropriations between general balances and earmarked reserves, and summarises other movements on usable reserves arising from the difference between recognised accounting practices and statutory funding requirements.

The movements in General Fund balances and Earmarked Reserves are identified in the movement in reserves statement, and the detailed movements are itemised in note 9 showing the adjustments between accounting basis and funding basis under regulations.

The following reserves are earmarked to finance projects within the capital programme. The usable capital receipts reserve is the balance of sums received from the sale of fixed assets which have not yet been applied. The capital grants reserve is the balance of grants recognised where the relevant expenditure has not yet been incurred.

2009/10 £'000	Usable capital receipts reserve	2010/11 £'000	2009/10 £'000	Capital grants unapplied reserve	2010/11 £'000
14,439	Balance at 1 April	9,137	2,902	Balance at 1 April	11,066
1,111	Capital receipts received	2,973			
-6,398	Used to fund capital expenditure	-305	9,407	Grants recognised but not applied	39,018
-15	Housing pooled contribution	-6	-1,243	Grants used for capital financing	-9,171
<b>9,137</b>	<b>Balance at 31 March</b>	<b>11,799</b>	<b>11,066</b>	<b>Balance at 31 March</b>	<b>40,913</b>

The collection fund adjustment account shows the Council's share of surpluses on the collection fund at the year end, and is available to the Council to support council tax levels.

2009/10 £'000	Collection fund adjustment account	2010/11 £'000
1,630	Balance at 1 April	1,135
80,746	Collection fund income recognised in the CIES	80,218
-81,241	Collection fund income recognised under statute	-80,945
<b>1,135</b>	<b>Balance at 31 March</b>	<b>408</b>

**Unusable reserves** are those reserves arising from: -

- specific asset and liability revaluations (e.g. fixed asset revaluations and pension fund actuarial gains and losses). These gains and losses are not reflected in the surplus/deficit on the provision of services as they do not arise from operating performance but are as yet unrealised gains and losses arising from revaluations. They are included, however, in the comprehensive income and expenditure statement which brings together all the gains and losses for the period which need to be considered when assessing the financial result.
- accounting adjustments reconciling accounting requirements to those required by statute (e.g. accumulated absences adjustment account). Transfers between reserves are summarised in note 9 showing all the adjustments between accounting basis and funding basis under regulations. They are explained in more detail below.

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- depreciated, with the reserve being written down by that part of the depreciation charge incurred only because assets have been revalued
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2009/10 Revaluation reserve £'000</b>	<b>2010/11 £'000</b>
115,804 Balance at 1 April	146,304
33,006 Upward revaluation of assets	21,119
Downward revaluation of assets and -1,620 impairment losses not charged to the Surplus/Deficit on the Provision of Services	-14,049
<i>Surplus or deficit on revaluation of non- current assets not posted to the Surplus or Deficit on the Provision of Services</i>	<i>7,070</i>
-872 Difference between fair value depreciation and historical cost depreciation	-3,525
-60 Accumulated gains on assets sold or scrapped	-898
46 Other adjustment	0
-886 <i>Amount written off to the Capital Adjustment Account</i>	<i>-4,423</i>
<b>146,304 Balance at 31 March</b>	<b>148,951</b>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. This reserve contains the cumulative decrease in the repayment value of housing loans which are linked to an equity share of the purchased property. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and any gains are lost
- disposed of and the gains are realised.

<b>2009/10 Available for sale reserve</b> <b>£'000</b>	<b>2010/11</b> <b>£'000</b>
<b>-86 Balance at 1 April</b>	<b>-54</b>
0 Upward revaluation of investments	0
-16 Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
<b>-16</b>	<b>0</b>
0 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
<b>48 Other adjustment</b>	<b>0</b>
<b>-54 Balance at 31 March</b>	<b>-54</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The accounting charges to the comprehensive income and expenditure statement for depreciation; asset valuations and disposals; and expenditure funded by capital resources are reversed through the movement in reserves statement, and charged to the capital adjustment account. There are also movements from the revaluation reserve to convert fair value figures to a historical cost basis. The Account is credited with the amounts set aside by the Authority to repay debt, or as finance for the costs of acquisition, construction and enhancement of fixed assets.

The Account contains accumulated gains and losses on Investment Properties and held for sale assets.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

<b>2009/10 Capital adjustment account</b>	<b>2010/11</b>
<b>£'000</b>	<b>£'000</b>
<b>234,723</b> Balance at 1 April	<b>243,051</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-29,385 • Charges for depreciation and impairment of non current assets	-44,690
424 • Revaluation losses on Property, Plant and Equipment	127
-52 • Amortisation of intangible assets	-99
-3,362 • Net revenue expenditure funded from capital under statute	-2,314
-867 • Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,359
-33,242	-51,335
932 Adjusting amounts written out of the Revaluation Reserve	4,423
- 32,310 <i>Net written out amount of the cost of non current assets consumed in the year</i>	- 46,912
Capital financing applied in the year:	
6,398 • Use of the Capital Receipts Reserve to finance new capital expenditure	305
12,804 • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,898
1,243 • Application of grants to capital financing from the Capital Grants Unapplied Account	9171
16,651 • Statutory provision for the financing of capital investment charged against the General Fund	7,851
4,177 • Capital expenditure charged against the General Fund	4,796
41,273 <i>Total capital financing applied in the year</i>	32,021
-339 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,554
-202 Movements in the market value of Held for Sale assets debited or credited to the Comprehensive Income and Expenditure Statement	-678
-94 Other adjustments	0
- 635 <i>Total other adjustments</i>	- 2,232
<b>243,051</b> Balance at 31 March	<b>225,928</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10 Pensions reserve</b>	<b>2010/11</b>
<b>£'000</b>	<b>£'000</b>
<b>-179,131 Balance at 1 April</b>	<b>-371,493</b>
Actuarial gains or losses on pensions	
-180,183 assets and liabilities	118,856
-28,392 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	52,689
16,213 Employer's pensions contributions and direct payments to pensioners payable in the year	17,116
<b>-371,493 Balance at 31 March</b>	<b>-182,832</b>

### Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement, lieu and flexi leave carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>2009/10 Accumulating compensating</b>	<b>2010/11</b>
<b>£'000 absences adjustment account</b>	<b>£'000</b>
<b>-5,412 Balance at 1 April</b>	<b>-4,851</b>
5,412 Settlement or cancellation of accrual made at the end of the preceding year	4,851
-4,851 Amounts accrued at the end of the current year	-4,848
561 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3
<b>-4,851 Balance at 31 March</b>	<b>-4,848</b>

### Deferred capital receipts

This is the amount outstanding principally for loans to former tenants to acquire their own council houses. The balance is written down by the proceeds from the repayment of the mortgages granted. These sums are treated as usable capital receipts when received.

<b>2009/10 Deferred capital receipts</b>	<b>2010/11</b>
<b>£'000</b>	<b>£'000</b>
138 Balance at 1 April	108
0 New advances	0
-30 Repayments made during the year	-11
<b>108 Balance at 31 March</b>	<b>97</b>

### **35 Contingent Liabilities**

Losses (costs) which are foreseeable and can be estimated with a degree of certainty have been accrued into the financial statements. Contingent liabilities are those which may arise in the future depending on some future event, the outcome of which cannot be predicted and the costs of which cannot be estimated with reasonable accuracy. This may be because, for example, claims may or may not be made; cases may or may not be pursued through the courts or other means of arbitration; defaults may or may not occur. Because of the great uncertainty surrounding them, such events have not been accrued into the accounts. The main contingent items are for matters arising under: -

- Insured events. Contingent liabilities exist for outstanding claims at the balance sheet date, claims not yet received in respect of events occurring in earlier years, and possible claims arising from years for which the underwriter has gone into liquidation (for which a sum of up to £3m may be required). Appropriate provision has been made where claims have been received.
- Other possible claims. There are some issues around land charge fees charged to personal search agents. These may be re-imburseable where the charge has led to loss and not just passed on to the end customer. There is a potential issue around landslip following the granting of planning consent at a site. There are also potentially other claims under equal pay legislation. Provision has been made for identified cases but there remain possible contingent liabilities around costs and possible legal action by affected staff. It is not expected that exposure for any of these contingent liabilities will, in total, exceed £0.5m.
- There is one issue outstanding surrounding a third party claim for expenses incurred in objecting to a compulsory purchase order for land within its ownership. Whilst the Council will be liable for settlement of reasonable expenses, this sum will not be known until notification is received from the Secretary of State to whom application has been made but who has yet to receive details of the amount of the expenses being claimed. The developer of the proposed site has indemnified the Council against such costs and any costs deemed payable by the Secretary of State should be recoverable from the developer. There should therefore be no effect on the Council's overall financial position.
- The Council acts as guarantor for a small number of staff in bodies that have been admitted to the pension fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor.
- The Council provides a bank overdraft guarantee for the Calderdale and Kirklees Careers Service Partnership up to a limit of £150k, although the partnership currently has no overdraft facility in place.

In recognition of these potential risks the Council has provided some cover in reserves.

## 36 Financial Instruments

Financial instruments included in the balance sheet are analysed below.

	2010/11		2009/10		2008/09	
	Long	Term	Long	Term	Long	Term
	£'000	Current	£'000	Current	£'000	Current
Available for sale financial assets	796		779		745	
Loans and receivables	3,057	79,788	1,062	84,151	1,076	94,413
<b>Total financial assets</b>	<b>3,853</b>	<b>79,788</b>	<b>1,841</b>	<b>84,151</b>	<b>1,821</b>	<b>94,413</b>
<b>Financial liabilities at amortised cost</b>	<b>159,267</b>	<b>22,850</b>	<b>162,680</b>	<b>33,519</b>	<b>167,048</b>	<b>34,390</b>

### Financial assets

#### Available for sale assets (£0.8m)

There is one financial instrument categorised as an available for sale asset.

- Equity homebuy scheme

To facilitate the decanting of householders from sites which are being redeveloped for social housing, loans may be offered under the “homebuy scheme” to enable those affected to buy properties elsewhere so that the proposed development sites can be vacated. These loans are repayable and legal charges have been put on the properties to ensure repayment on sale. Cash loans are shown below as loans and receivables. Equity loans represent a share of equity in the purchased property, and are treated as available for sale investments. These are valued at a fair value of £0.8m using appropriate property inflation rates.

Changes in fair values are taken to the Available-for-Sale reserve. Negative balances would be written down to the comprehensive income and expenditure statement if there were a prolonged decline in fair values, or other clear evidence of impairment. In the absence of such evidence, a negative balance is held in this reserve (representing fair values below cost), pending future revaluations.

#### Loans and Receivables (£82.7m)

Loans and receivables are shown on the balance sheet at amortised cost. All balances shown are an adequate approximation of fair value in view of the amounts involved.

- Long term debtors (£3.0m)
  - Current debtors (£10.2m)
  - Short term investments (£48.0m)
  - Cash and cash equivalents (£21.6m)
- (£82.8m)

- Long Term Debtors (£3.0m)

The Council has a small number of debtors being repaid over various periods longer than one year. A deferred capital receipt (£2m) following sale of a development site is held at amortised cost using the effective interest rate method. All other long term debtors are shown in the balance sheet at principal outstanding. Cash homebuy scheme loans are loans advanced as detailed above. Repayments are determinable as their value is not linked to the value of the property. These are valued at £0.7m.

2008/09 £'000	2009/10 £'000	ANALYSIS OF LONG TERM DEBTORS	2010/11 £'000	The debtor re Welbeck relates to the Council's share of the costs incurred as part of the joint development of the Welbeck waste disposal site. The outstanding sum is being repaid by Wakefield Council over the next 4 years.
134	104	Council house mortgages	94	
679	679	Cash homebuy / improvement schemes	681	
214	179	Settlement of dispute re Welbeck	143	
32	31	Loans to employees	41	
-	-	Loans to organisations	60	
-	-	Deferred receipts	1,970	
17	69	Miscellaneous	68	
<b>1,076</b>	<b>1,062</b>		<b>3,057</b>	

- **Current Debtors (£10.2m)**  
The sum of £10.195m (other operational debtors net of allowance for credit losses) has been included in current financial assets. Council tax arrears are statutory debts and do not arise from contracts and so do not class as financial assets, and no other debtors are included as financial assets as they are not contracts giving rise to financial assets and liabilities.
- **Short term investments (£48.0m).**  
The Council holds a number of short term investments at the 31<sup>st</sup> March. These relate to surplus cash balances held over the year end and lent out temporarily as part of treasury management operations to other local authorities and financial institutions. To mitigate against the risk of loss, the Council places investment limits (approved annually) on each organisation (excluding the Bank of England and UK Government) depending on its credit rating and asset base. The current maximum investment of £20m at any one time is reserved for other local authorities and the big four clearing banks with maximum Fitch and Moody's credit ratings of F1+ and P-1 respectively, combined with assets over £400bn (Fitch and Moody's are global credit rating agencies). There are other levels in place from £10m to £2m depending on an organisation's rating and asset base. The minimum credit rating used is F1 (Fitch) and P-2 (Moody's) signifying a strong capacity to make timely settlement of commitments.

The Council has not suffered any counterparty defaults during the year. The deposits invested at the year end have been assessed for impairment by looking at each institution's credit rating and general standing. None of the counterparties have suffered a cut to take them below the Council's minimum limit for new deposits, and it has not been considered necessary to write off or impair any of the investments held at the balance sheet date. All of the Council's counterparties are domiciled in the UK.

Investment income from all financial assets (principally short term investments) is credited to the comprehensive income and expenditure statement and shown as part of financing and investment income and expenditure. It varies with interest rate fluctuations and the level of cash balances available to the Authority. It is monitored regularly, and prudent forecasts of anticipated future market conditions in the coming year are made as part of the annual budget setting process.

- **Cash in hand (£21.6m).**  
This is comprised mainly of cash balances held in individual school bank accounts as part of the delegated financial management of schools (£16.8m), and the reconciled position on the Council's bank accounts at 31<sup>st</sup> March 2011. The cash position is monitored daily and managed to ensure that, through a combination of active investment management, short term borrowing on the money markets and agreed overdraft facilities with the bank, the Council has sufficient funds with which to meet its commitments and can earn interest on any surplus balances.

## Financial liabilities

• Borrowings	(£114.7m)
• Deferred liabilities	(£47.9m)
• Current creditors	(£19.5m)
	<u>(£182.1m)</u>

Financial liabilities are shown on the balance sheet at amortised cost. Fair values are disclosed below for each type of financial liability where the carrying value on the balance sheet is not an adequate approximation.

- Borrowings (£114.7m)

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings of £114.7m, £113.4m has been borrowed from the PWLB, with £1.3m being borrowed from other sources such as other financial institutions, local authorities and bodies. Contractual obligations (both principal repayments and associated interest charges) arising from Council borrowings are detailed below.

2009		2010		ANALYSIS OF LOANS BY MATURITY AT 31st MARCH	2011	
Principal	Interest due	Principal	Interest due		Principal	Interest due
to maturity	to maturity	to maturity	to maturity		to maturity	to maturity
£'000	£'000	£'000	£'000		£'000	£'000
3,983	383	5,018	70	Maturing within one year	3,371	54
3,134	206	2,100	149	Maturing within 1 - 2 years	3,000	223
8,100	1,474	8,000	1,380	Maturing within 2 - 5 years	8,400	1,508
18,900	7,557	21,300	8,224	Maturing within 5 - 10 years	22,619	8,683
86,464	92,379	82,064	86,149	Maturing in more than 10 years	77,345	79,891
<b>120,581</b>	<b>101,999</b>	<b>118,482</b>	<b>95,972</b>	<b>Total borrowing</b>	<b>114,735</b>	<b>90,359</b>

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Council will need to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The main treasury management strategy to deal with this is to manage the Authority's debt maturity profile so that it is as smooth as possible taking account of historic debt and available interest rates.

All borrowings are at fixed rates and therefore unaffected by interest rate movements (though increases in interest rates would cause the fair value of debt to fall). Interest payable is charged to the comprehensive income and expenditure statement and shown as part of financing and investment income and expenditure.

The fair value of these borrowings is £126.0m. This is the amount which the PWLB would require to settle all outstanding sums on the balance sheet date. The fair value is greater than the carrying amount as the portfolio of borrowings includes a number of fixed rate loans where the interest rate payable is greater than the rates available at the balance sheet date for similar loans. This commitment to pay above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

- Deferred liabilities (£47.9m)  
This reflects long term commitments by the Council relating to future rentals required under the schools pfi scheme, and other loan debt administered by Wakefield, Bradford and Leeds Councils in relation to transferred assets as part of statutory reorganisations of functions.

These liabilities are carried at amortised cost which for these items is the same as principal outstanding. The fair value of these liabilities is £59.6m based on discounting future cash flows at prevailing interest rates.

- Current creditors (£19.5m)

The total of £19.479m for operational creditors has been included in financial liabilities. All other categories of creditor arise from statutory debts (council tax), are governed by more specific reporting standards (pension fund), or are not contracts giving rise to financial assets and liabilities.

### **37 Pension Costs**

As part of the terms and conditions of its employment of its officers and other employees, the authority offers retirement benefits through participation in two pension schemes designed to provide members with index linked pension benefits earned as employees based on final salaries and length of service. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments which need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- The Local Government Pension Scheme: This is a funded scheme administered by the West Yorkshire Superannuation Fund. This means that both scheme members and the employer pay contributions into a fund, with these contributions being calculated at a level intended to balance the pension liabilities with investment assets over time. Contribution rates are calculated every three years based on an actuarial review of the fund, and rates will vary according to changes in, for example, investment returns, mortality rates, employee turnover, projected earnings and scheme rules. This scheme is accounted for as a defined benefit scheme.
- The Teachers Pension Scheme is an unfunded scheme administered by Capita Teachers' Pensions on behalf of the DfE. This means that there are no investment assets built up to meet the pension liabilities, and funding has to be generated to meet pension payments as they become due. The liabilities for these benefits cannot be identified to the Council on a consistent and reasonable basis, and this scheme is therefore accounted for as a defined contribution scheme.

The Council may sometimes award discretionary benefits to staff members (including teachers) in the event of early retirement. Liabilities arising from such awards are accrued in the year of the award. Discretionary benefits are accounted for as defined benefit schemes. They are unfunded but the liabilities can be identified to the Council. Cash has to be generated to meet payments as they become due. Discretionary awards to teachers are also accounted for as a defined benefit scheme, whereas all other teacher pension benefits are accounted for as a defined contribution scheme.

## Defined Benefit Schemes

### *Transactions relating to retirement benefits*

Retirement benefit costs are recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the statutory charge against council tax is based on the amounts payable by the Council to the pension fund in the year. Appropriations from a pensions reserve are therefore required within the movement in reserves statement to replace the real cost of retirement benefits with the statutory charge so that the additional costs of providing for retirement benefits in accordance with IAS19 do not impact on levels of local taxation.

These transactions have been made during the year in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement:

Amounts recognised in the surplus/deficit on the provision of services	Local Government Pension Scheme		Teachers Pension Scheme	
	£000s		£000s	
	2010/11	2009/10	2010/11	2009/10
<i>Net Cost of Services:</i>				
Current service Cost	21,596	11,815	0	0
Past Service Cost	-82,695	1,089	-889	717
Effect of curtailments and settlements	0	0	0	0
<i>Financing / investment income &amp; expenditure</i>				
Interest Costs	41,789	36,154	567	603
Expected return on scheme assets	-33,057	-21,986	0	0
<b>Total pension cost recognised in the surplus/deficit on the provision of services</b>	<b>-52,367</b>	<b>27,072</b>	<b>-322</b>	<b>1,320</b>
<i>Adjustment between accounting basis and funding basis under regulation</i>				
reversal of net charges made for retirement benefits in accordance with IAS19	52,367	-27,072	322	-1,320
employers contributions payable to scheme	16,262	15,280		
retirement benefits payable to pensioners			854	933
<b>Total adjustment made</b>	<b>68,629</b>	<b>-11,792</b>	<b>1,176</b>	<b>-387</b>

In addition to the recognised gains and losses included in the comprehensive income and expenditure statement, actuarial gains of £118.856m (losses of £180.183m in 2009/10) were included in the comprehensive income and expenditure statement. The cumulative amount of actuarial losses recognised is £129.300m.

Present value of scheme liabilities	Local Government Pension Scheme		Teachers Pension Scheme	
	£000s		£000s	
	2010/11	2009/10	2010/11	2009/10
1st April	-820,856	-509,999	-11,413	-8,603
Current service cost	-21,596	-11,815	0	0
Interest cost	-41,789	-36,154	-567	-603
Contributions by plan participants	-6,205	-6,186		0
Past service costs	82,695	-1,089	889	-717
Actuarial gains and losses	98,914	-276,339	380	-2,423
Curtailments	0	0	0	0
Settlements	0	0	0	0
Benefits / transfers paid	22,378	20,726	854	933
31st March	-686,459	-820,856	-9,857	-11,413

Of the estimated liabilities, £15.3m of the WYPF and all of the TPS scheme liabilities are unfunded, based on the discretionary award of pension benefits (£18.1m and £11.4m respectively in 2009/10).

Fair value of scheme assets	Local Government	
	2010/11	2009/10
1st April	460,776	339,471
Expected rate of return	33,057	21,986
Actuarial gains and losses	19,562	98,579
Settlements	0	0
Employer contributions	16,262	15,280
Contributions by plan participants	6,205	6,186
Benefits / transfers paid	-22,378	-20,726
31st March	513,484	460,776

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return for each asset class is set out within this note. The overall expected rate of return is derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at the year end. These returns are expected to be available to finance pension liabilities. The returns actually achieved of £52.6m are better than expected (£120.6m in 09/10).

	2010/11 £m	2009/10 £m	2008/09 £m	2007/08 £m	2006/07 £m
<i>Present Value of liabilities</i>					
• Local government pension scheme	-686.5	-820.9	-510.0	-599.2	-514.1
• Teachers Pension Scheme	-9.8	-11.4	-8.6	-10.2	-9.3
<i>Fair value of assets</i>					
• Local government pension scheme	513.5	460.8	339.5	417.9	428.6
<i>Surplus/(deficit) in pension schemes:</i>	-182.8	-371.5	-179.1	-191.5	-94.8
• Local government pension scheme	-173.0	-360.1	-170.5	-181.3	-85.5
• Teachers Pension Scheme	-9.8	-11.4	-8.6	-10.2	-9.3
<b>Total</b>	<b>-182.8</b>	<b>-371.5</b>	<b>-179.1</b>	<b>-191.5</b>	<b>-94.8</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £182.8m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a positive overall balance of £308.8m. The deficit will be addressed over time by actuarial assessments covering the performance of the fund, and by revision to the contribution rates following regular triennial

reviews. The deficit will therefore be made good over the remaining working life of employees before payments fall due. Finance is only required to be raised to cover Teachers' pensions when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2012 is £16.1m.

### *Basis for estimating assets and liabilities*

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Teachers Scheme and the Local Government fund liabilities have been assessed by Hewitt Ltd, an independent firm of actuaries. The reported figures are based on assumptions made during the last triennial revaluation (March 2010), updated to reflect current conditions. Some assumptions are updated annually (e.g. inflation, pay increases, discount rates, asset values) whilst others taking a longer term view (e.g. mortality rates, demographic factors) may not be. Mortality assumptions have been changed as shown below along with the other principle assumptions used by the actuary.

	<b>Local Government</b>		<b>Teachers Pension</b>	
	<b>2010/11</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2009/10</b>
<i>Long term expected rate of return on assets</i>				
Equity Investments	8.40%	8.00%	n/a	n/a
Government Bonds	4.40%	4.50%	n/a	n/a
Other Bonds	5.10%	5.50%	n/a	n/a
Property	7.90%	8.50%	n/a	n/a
Cash liquidity	1.50%	0.70%	n/a	n/a
Other assets	8.40%	8.00%	n/a	n/a
<i>Mortality Assumptions:</i>				
Longevity at 65 for current pensioners:				
men	21.9	21.8	21.9	21.8
women	24.0	25.4	24.0	25.4
Longevity at 65 for future pensioners:				
men	23.7	24.1	23.7	24.1
women	26.0	27.9	26.0	27.9
RPI price inflation (funded/unfunded)	3.7% / 3.6%	3.9% / 3.8%	3.60%	3.80%
CPI price inflation (funded/unfunded)	2.8% / 2.7%	n/a	2.70%	n/a
Rate of Increase in salaries	5.20%	5.65%	n/a	n/a
Rate of increase in pensions (funded/unfunded)	2.8% / 2.7%	3.9% / 3.8%	2.70%	3.80%
Rate for discounting scheme liabilities (funded/unfunded)	5.4% / 5.5%	5.50%	5.50%	5.50%

The Teachers Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme consists of the following categories, by proportion of the total assets held:

<b>% split of assets</b>	<b>31st March 2011</b>	<b>31st March 2010</b>	<b>31st March 2009</b>
Equity investments	73.1	71.7	62.0
Government Bonds	11.4	12.2	12.3
Other Bonds	3.9	3.4	6.0
Property	3.6	3.4	4.2
Cash liquidity	2.3	3.4	5.0
Other assets	5.7	5.9	10.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The actuarial gains identified as movements on the pensions reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2011

<b>History of experience gains and losses</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
• Local government pension scheme					
Asset increase / (decrease) due to the difference between expected / actual returns	3.8%	21.4%	-31.1%	-9.6%	1.1%
Liability (increase) / decrease due to experience gains and losses	7.7%	0.8%	0.0%	4.0%	0.0%
• Teachers Pension Scheme					
Liability (increase) / decrease due to experience gains and losses	-1.7%	2.5%	0.0%	1.7%	0.0%

### Defined Contribution Schemes

Other than discretionary benefits, all other pensions costs related to the Teachers' Pension Scheme are accounted for on a defined contribution basis. Based on contribution rates of 14.1%, employers' contributions of £10.4m have been charged to the accounts during the period (£10.4m in 2009/10), of which £0.9m has been accrued as a creditor (£0.9m in 2009/10).

Expected contributions for the Teachers Pension Scheme in the year 31<sup>st</sup> March 2012 are £0.9m.

### 38. Other long term liabilities

<b>2008/09</b>	<b>2009/10</b>	<b>ANALYSIS OF LONG</b>	<b>2010/11</b>	
<b>£'000</b>	<b>£'000</b>	<b>TERM LIABILITIES</b>	<b>£'000</b>	
2,187	2,095	Loan debt	2,008	These are long term commitments which the council has to settle loan debts administered by third parties, or for the funding of assets acquired by finance leases and similar deals.
48,263	47,121	PFI scheme liability	45,895	
1,263	967	Finance lease liability	666	
<b>51,713</b>	<b>50,183</b>		<b>48,569</b>	

### 39. Termination benefits

As part of the workforce reductions necessary to achieve future savings requirements, 93 applications for redundancy were accepted in March 2011. These redundancies took effect in April 2011. The cost of £3.3m was accrued into the accounts.

### 40 Authorisation

Relevant events after the balance sheet date have been considered up to 10<sup>th</sup> June 2011. This is the date on which these statements of accounts were authorised for issue by the Head of Finance. The financial statements and disclosure notes will be subject to external audit, and final audited accounts in the light of that audit will be published by the end of September.

## **SUPPLEMENTARY ACCOUNTING STATEMENTS**

### **THE COLLECTION FUND**

This account reflects the statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates. This income finances payment of business rates to the national pool, and the net expenditure requirements of the Council (including parish councils), the West Yorkshire Police, and the West Yorkshire Fire and Rescue Authority. The balance on this fund is shared between the Council and the other preceptors. That element due to the Council is incorporated into the Council's balance sheet. The balance due to/from other preceptors is included in creditors/debtors.

<b>2009/10</b>	<b>COLLECTION FUND</b>	<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b><u>INCOME</u></b>		
77,388 Billed to Council Taxpayers		77,032
15,773 Council Tax Benefit		16,063
53,854 Non-Domestic Rates income (net of interest on refunds)		52,203
<b>147,015 TOTAL INCOME</b>		<b>145,298</b>
<b><u>EXPENDITURE</u></b>		
<b>Precepts and Demands</b>		
80,841 Calderdale Metropolitan Borough Council		80,545
8,260 West Yorkshire Police Authority		8,520
3,334 West Yorkshire Fire & Rescue Authority		3,421
<b>92,435</b>		<b>92,486</b>
<b>Business Rates</b>		
52,692 Payment to National Pool		51,377
358 Cost of Collection		354
<b>53,050</b>		<b>51,731</b>
<b>Bad and Doubtful Debts</b>		
912 Write offs		934
723 Provision		522
<b>1,635</b>		<b>1,456</b>
<b>147,120 TOTAL EXPENDITURE</b>		<b>145,673</b>
<b>-105 SURPLUS / (DEFICIT) FOR YEAR</b>		<b>-375</b>
<b><u>MOVEMENT ON FUND BALANCE</u></b>		
1,863 Surplus / (deficit) at 31st March		1,301
-457 Deduct distribution of surplus		-457
-105 Add surplus / (deficit) for year		-375
<b>1,301 SURPLUS / (DEFICIT) AT 31 MARCH C/FWD</b>		<b>469</b>

## **NOTES TO THE SUPPLEMENTARY STATEMENTS**

### **1. Income from Business Rates**

Under statutory arrangements business rates, based on a rate poundage determined nationally by the Government and applied to rateable values determined by Revenue and Customs, are collected locally by the Council. The rate specified by the Government for 2010/11 was 41.4p. The total amount collectable, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by the Government. The Government in turn pays back to the Council its share of the pool based on a standard amount per head of the local population. Calderdale's share of the pool in 2010/11 was £71.2m (£64.5m in 2009/10). This was paid into the comprehensive income and expenditure statement.

In 2010/11, the gross amount collectable net of refunds was £52.203m, based on a non domestic rateable value at the 31 March 2011 of £155,090,739. After deducting allowances and other adjustments, including £0.471m for a provision for uncollectable amounts (£0.804m in 2009/10), the amount payable to the NNDR pool was £51.377m.

The total bad debt provision for NNDR as at 31<sup>st</sup> March 2011 was £1.271m.

### **2. Council Tax**

#### *Council Tax surplus at 31<sup>st</sup> March 2011*

The Council and the other precepting authorities (West Yorkshire Police and the West Yorkshire Fire and Rescue Authority) draw on the Collection Fund to finance their net revenue expenditure. At the year end, the Collection Fund can be in surplus or deficit dependent on collection rates or the level of revaluations etc. At the 31<sup>st</sup> March 2011, the Collection Fund had a surplus of £0.469m. This surplus is shared proportionately between the precepting authorities. Calderdale's share of this surplus, £0.408m, is included on the balance sheet in the collection fund adjustment account.

#### *Calculation of Council Tax Base 2010/11*

In accordance with Section 67(2) of the Local Government Finance Act 1992, the Council Tax base was approved by the Council on 18 December 2009. The amount calculated as Calderdale's Council Tax base for 2010/11 (allowing for a 98.5% collection rate), was as follows:-

<b>Band</b>	<b>Number of dwellings</b>	<b>Proportion of band D tax</b>	<b>2010/11 band D equivalent</b>
A-	43.0	5/9	23.89
A	36,613.3	6/9	24,408.83
B	15,705.3	7/9	12,215.19
C	13,371.8	8/9	11,886.01
D	6,447.8	9/9	6,447.75
E	4,634.0	11/9	5,663.79
F	2,529.5	13/9	3,653.72
G	1,140.3	15/9	1,900.42
H	39.0	18/9	78.00
	<u>80,523.8</u>		<u>66,277.60</u>
Less allowance for non-collection			-994.16
<b>Council tax base - band D equivalent</b>			<b>65,283.44</b>

The total Council Tax requirement in 2010/11 (including Parishes, Police and Fire Authorities) was £92.486m. The Council Tax at band D equivalent was set at £1,416.69 for 2 adults and £1,062.52 for one adult.

#### *Bad Debts Provision*

The total bad debt provision for Council Tax as at 31 March 2011 was £4.218m.

### **3. Payments to precepting bodies**

The Collection Fund made the following payments during the year:-

	<b>£m</b>	<b>£m</b>	<b>£m</b>
Calderdale MBC	80.545	0.400	80.945
West Yorkshire Police Authority	8.520	0.041	8.561
West Yorkshire Fire and Rescue Authority	3.421	0.016	3.437
	<b>92.486</b>	<b>0.457</b>	<b>92.943</b>

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities.**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the statement of accounts.

### **The Head of Finance's responsibilities.**

The Head of Finance is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Head of Finance has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of Accounts:**

I certify that the Statement of Accounts presents a true and fair view of the position of Calderdale Metropolitan Borough Council at the 31<sup>st</sup> March 2011 and its income and expenditure for the year ended the 31<sup>st</sup> March 2011.

Head of Finance

P Smith, BA CPFA  
**10 June 2011**

# **STATEMENT OF ACCOUNTING POLICIES**

## **GENERAL**

The statement of accounts summarises the Authority's transactions for the financial year to 31<sup>st</sup> March, and its financial position as at that date. The Accounts and Audit (England) Regulations 2011 require that these statements are prepared in accordance with proper practices and signed by the responsible finance officer by 30<sup>th</sup> June, and then formally signed by the Council and published by 30<sup>th</sup> September together with the audit certificate/opinion. Proper practices are based on IFRS standards as incorporated into the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

The selected accounting policies have been applied to all material items for inclusion in the accounting statements and disclosure notes. Only those items which are insignificant within the context of the financial statements and whose exclusion does not impair the reliability or interpretation of the financial information provided have been omitted from inclusion.

Accounting policies are determined by the Code. Where the Code is not explicit, unless there are any specific legislative requirements (which always take precedence), accounting treatment will be determined by application of IFRS or similar standards; the framework for preparing and presenting financial statements; or issued guidance notes.

In selecting appropriate policies and accounting treatment, judgement has been exercised to ensure that, through a balanced and sensible application of competing qualitative characteristics, costs and time, the resulting accounting statements are *understandable* to those with a reasonable knowledge of local government and accounting practices. (Although this is unavoidably quite a technical document, every effort has been made to explain either in the text or the glossary, any technical terms necessarily involved); *relevant* in enabling an assessment of the stewardship of public funds and the making of economic decisions based on materially significant disclosures; *reliable* in that the financial information is complete, and free from material error, exaggeration or systematic bias, and so prudently and faithfully reflects the substance of the transactions and other events that have taken place; *comparable* between accounting periods and other organisations,

## **ACCOUNTING POLICIES**

Accounting policies have been chosen to give a true and fair view of the financial transactions of the Council. The accounting policies are: -

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, an allowance for credit losses has been made and charged to revenue for the income that might not be collected.

### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature within three months from the date of acquisition and are readily convertible to known amounts of cash with no risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **Collection Fund**

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The key feature of the accounting policy is that billing authorities act as agent collecting and distributing monies on behalf of other council tax preceptors, or the government (for NNDR).

#### **NNDR**

As all activity is undertaken on behalf of the government, the balance sheet does not recognise balances relating to individual rate payers as such balances are not assets and liabilities of the council. The balance sheet only recognises cash collected from rate payers which has not yet been paid over to the government (creditor) or, where the cash paid over exceeds that collected, the excess is recognised as a debtor.

As cash is only collected on behalf of the government, monies collected or paid over are not operating activities of the Council and, except for monies allowed to be retained in respect of the cost of collection and any amounts billed to cover the costs of pursuing unpaid NNDR debts, NNDR transactions are excluded from the cashflow statement. The difference between cash collected and paid over is included in management of liquid resources as a net change in other liquid resources (cash held as agent).

The comprehensive income and expenditure statement recognises the amount of general government grant receivable from the national pool.

### Council tax

Council tax income included in the comprehensive income and expenditure statement is the accrued income for the year due to the Council. This includes the Council's share of surpluses and deficits on the fund. Regulations specify that sums to be released from the collection fund to the general fund should be the Council's precept plus any share of the previous year's surplus or deficit. Any difference between the income included in the comprehensive income and expenditure statement and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included in the movement in reserves statement.

Debtor and creditor balances relating to individual council taxpayers are apportioned between all preceptors, and only the Council's share of these are recognised on the balance sheet. Any difference between cash collected on behalf of other preceptors and cash paid over to them is included as a creditor (where more cash has been collected than paid over) or a debtor.

The cashflow statement includes as operating activities only the Council's share of council tax collected from taxpayers in the year, and the net cost of pursuing council tax arrears. As cash is collected as agent on behalf of the other preceptors, monies (precepts) paid over to them are not revenue activities of the Council and are excluded from operating activities. The difference between cash collected and paid over to other preceptors is included in management of liquid resources as a net change in other liquid resources (cash held as agent).

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### **Employee benefits**

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include accrued annual leave, lieu time and flexi time earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. They are recognised as an expense for services in the year in which employees render service to the Authority. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that such benefits are charged against council tax in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged to service costs in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of employment.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

*The Teachers' Pension Scheme*, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). This is an unfunded scheme, meaning that there are no investment assets built up to meet pension liabilities, and funding has to be generated to meet pension payments as they become due.

The liabilities for these benefits cannot be identified to the Council on a consistent and reasonable basis, and this scheme is therefore accounted for as a defined contribution scheme. No liability for future payments of benefits is recognised on the balance sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers Pensions in the year, which is based on a rate set on the basis of a notional fund supported by a 5 year actuarial review.

*The Local Government Pensions Scheme*. This is a funded scheme administered by the West Yorkshire Superannuation Fund (WYSF). This means that payments, calculated to balance pension liabilities and assets over time, are made by both the Council and its employees into a fund.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority, and is accounted for as a defined benefit scheme. All retirement benefits are accounted for in accordance with the relevant reporting standard IAS19 which stipulates how such commitments are to be recognised in the comprehensive income and expenditure statement and on the balance sheet.

The liabilities of the scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices.

The assets of the fund attributable to the Council are included in the balance sheet at fair value based on current bid price (securities) or market value (property).

The change in the net pensions liability is analysed into seven components:

- current service cost. The increase in liabilities as a result of years of service earned in the year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost. The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These costs are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost. The expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets. This is the annual investment return on the fund assets attributable to the Authority based on an average of the expected long-term return. The charge is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments. These arise as a result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. Such charges are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses. These are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. These amounts are charged to the Pensions Reserve
- contributions paid to the West Yorkshire Pension Fund. This is the cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund, not the amount calculated according to the relevant accounting standards (IAS 19). There are appropriations in the Movement in Reserves Statement to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. This ensures that the additional costs of providing for retirement benefits in accordance with IAS 19 do not impact on levels of local taxation.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council can make discretionary awards of retirement benefits in the event of early retirement. Liabilities estimated to arise as a result of any such award to any member of staff (including teachers) are accrued in the year of the award, and are accounted for as defined benefit schemes using the same policies as are applied to the WYSF scheme.

#### **Events after the balance sheet date**

Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Where the event is indicative of conditions that arose after the reporting period, appropriate disclosures have been made, but the amounts in the

Statement of Accounts have not been adjusted. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **Exceptional items**

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts.

### **Prior period adjustments, changes in accounting policies and estimates and errors.**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change. They do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, statutory requirements, or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period, together with appropriate explanatory disclosure notes.

### **Financial Assets**

Financial instruments are contracts giving rise to a financial asset in one entity, and a financial liability in another. Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

#### *Loans and Receivables*

Loans and receivables are valued at amortised cost using the effective interest rate method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of loans and receivables, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where any significant soft loans are made (extended credit at less than market rates), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year — the reconciliation of amounts

debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to other operating expenditure in the Comprehensive Income and Expenditure Statement. Short duration receivables with no stated interest rate, and any small value loans considered immaterial for valuation as above are measured at the original invoice amount.

#### *Available for sale financial assets*

Available for sale assets are carried at fair value. Depending on the market for such assets, fair value might be the quoted market price (where there is one), cost less impairment, or other amount based on valuation techniques. Gains and losses on re-measurement are taken to the available for sale (AFS) reserve and charged to other comprehensive income and expenditure, except where there is a prolonged decline in fair values or other clear evidence of impairment, in which case losses are taken to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. On derecognition of an asset, any gains/losses are recognised in the comprehensive income and expenditure statement along with any gains/losses previously recognised in the AFS reserve.

Where an asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

#### *Impairment of financial assets*

Financial assets are assessed annually for impairment. Impairment losses are incurred if: -

- There is objective evidence of impairment as a result of a past event occurring subsequent to the initial recognition of the asset, or
- A collective assessment of financial assets with similar credit risk characteristics (e.g. business rate debtors; council tax debtors; sundry debtors) suggests that, based on past experience, the sums likely to be realised for the group of financial assets being collectively assessed is likely to be lower than the carrying value as a whole for the group.

Impairment losses are charged to an appropriate revenue account (i.e. the comprehensive income and expenditure statement or collection fund).

### **Financial Liabilities**

Financial liabilities are carried at amortised cost using the effective interest rate method. This is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The financing costs (interest charges) determined by this method of valuation are taken to financing and investment income and expenditure within the comprehensive income and expenditure statement. This results in the Council's financial liabilities being included in the balance sheet at the outstanding principal repayable, and interest charged is the amount payable for the year according to the loan agreement.

Premium payments and discounts on the repurchase or early settlement of debt are taken in year directly to financing and investment income and expenditure within the comprehensive income and expenditure statement, unless, in accordance with certain specific conditions, the modification to the financial instrument is not considered substantial. In such cases, the loan

debt carrying amount is adjusted rather than being taken directly to the comprehensive income and expenditure statement, and the adjustment is written down to the comprehensive income and expenditure statement over the life of the loan by an adjustment to the effective interest rate.

There are statutory provisions in place regulating the effect of premiums and discounts on the charge to council taxpayers. Any difference is managed by a transfer to or from the financial instruments adjustment account in the movement on reserves statement so that the overall charge or credit to general fund balances is in accordance with statutory requirements.

There are no financial guarantees entered into by the Council after the 31<sup>st</sup> March 2007 which would need to be accounted for as financial instruments. Any financial guarantees given by the Council before that date are only included in the statement of accounts to the extent that provisions might be required or a contingent liability exists.

### **Government grants and other contributions**

All grants and contributions are recognised as income within the comprehensive income and expenditure statement when there is reasonable assurance that the Authority will comply with the grant conditions, and the grants or contributions will be received. Conditions are stipulations requiring repayment of the grant if they are not met.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Authority sometimes acts as Accountable Body for various partnerships and in that role receives grant funding on behalf of the partnership. Where it is considered that the Authority determines partner allocations, the grant is recognised as income and allocations as expenditure. Where the Authority does not exercise such control, only such grant as may ultimately be awarded to the Accountable Body is recognised as grant receivable.

### **Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Expenditure in excess of £10k is categorised as an intangible asset only where it can be separately identified. The only intangible assets held by the Authority are software licenses and these are held at historical cost.

### **Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

### **Investment property**

Investment properties are separately identifiable properties used solely and specifically to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, or are revalued immediately prior to reclassification. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated but valuations are assessed annually to ensure they reflect market conditions at the year-end.

After initial recognition, gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses on disposal are included under other operating expenditure. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Income and expenditure relating to investment properties are also charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

### **Landfill Allowance Trading Scheme**

The Council is a waste disposal authority and receives tradable landfill allowances for the disposal of biodegradable municipal waste (BMW) to landfill. Allowances granted give disposal rights, and are recognised as current assets on the balance sheet and measured at the lower of cost and net realisable value. Where appropriate, a provision is created for the allowances required to cover the disposal of BMW to landfill in the year. The provision is based on the market price (where this can be reliably estimated) of the number of allowances required to discharge the liability. The liability will be discharged in the following financial year. Any surplus arising from an excess of allowances granted over those required is appropriated into a reserve for future use.

All valuations are based on the weighted average at which current and previous years' allowances have been traded during the year. Due to the very thin market, no reliable fair value can be ascribed either to current or to future year allowances, and therefore no recognition of these has been made in the accounts.

### **Leases**

A lease is an agreement conveying the right to use an asset for an agreed period of time in return for a series of payments. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (IFRIC 4).

A *finance lease* transfers substantially all the risks and rewards of ownership. E.g.: -

- Ownership transfers to the lessee at the end of the agreement, or the lessee has the option to purchase the asset at a price sufficiently lower than the fair value at that date such that it is reasonably certain that (at the start of the agreement) this option will be exercised.
- The secondary rental period is for a rent substantially lower than market rent.
- The lease term is for substantially all the life of the asset.
- The minimum lease payments account for substantially all the fair value of the asset.
- The asset is specialised and can really only be used by the lessee
- The risks of ownership (e.g. losses, obsolescence) lie with the lessee.
- The rewards of ownership (e.g. residual value) lie with the lessee.

All other leases are *operating leases*.

Where a lease covers both land and buildings, the land and buildings elements have been classified separately. As land (usually) has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. However, a lease of land may still be a finance lease (even where the title does not pass to the lessee by the end of the lease term) if consideration of all other factors leads to this conclusion. The separate elements of land and buildings are considered together where the land element is immaterial.

### ***The Authority as Lessee***

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

#### **Operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-time basis over the life of the lease, even where this may not match the pattern of payments.

### ***The Authority as Lessor***

#### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on

disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain Credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income credits are made to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **Non current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continued use, the asset is reclassified as Held for Sale. This is when the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets; the sale is highly probable (expected to qualify for recognition as a completed sale within one year); there is appropriate management commitment to selling the asset; and an active programme to locate a buyer for the asset at a fair value has been initiated.

The asset is revalued immediately before reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Gains and losses on disposal are included under other operating expenditure, and any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Such charges are not permitted by statutory arrangements to

have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for any depreciation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

### **Overheads / Support Service Costs**

The principle of total absorption costing has been applied in compliance with the Service Reporting Code of Practice (SerCOP). Support service costs have been fully charged to service revenue accounts, trading operations and capital accounts using a combination of time allocations and unit costs. The full cost of overheads and support services are therefore shared between users in proportion to the benefits received.

SerCOP excludes from the principle of total absorption costing specific items of expenditure comprising the Corporate and Democratic Core (costs relating to the Council's status as a multi-functional democratic organisation), and Non Distributable Costs (principally certain IAS19 accounting entries relating to pensions). These costs are not charged to services, and are disclosed separately on the face of the comprehensive income and expenditure statement as part of net cost of services.

### **Private Finance Initiative**

PFI contracts are agreements with private sector operators to construct or enhance property used to provide public services and to operate and maintain that property for a specified period of time. The operator is paid for its services over the period of the arrangement. Such arrangements are accounted for in line with IFRIC12 Service Concession Arrangements.

IFRIC12 specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party exercises control over the property in terms of stipulating the services provided, and any residual interest. As the Authority is deemed to control the services that are provided under its 5 school PFI scheme, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contract for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

#### *Assets and liabilities*

The school buildings are recognised as assets of the Council together with a liability to pay future rentals. These assets are then treated like any other Council assets in accordance with the accounting policy for property, plant and equipment, i.e they are subject to annual depreciation and regularly revalued so that the carrying amount included in the balance sheet is at fair value.

The liability is written down annually over the period of the contract by the amount of the unitary charge recognised for this purpose. As part of the payments made under the contract, a one off payment was made in 2005/06. This has been applied to reduce the outstanding lease liability.

### *Comprehensive Income and Expenditure Statement entries*

Each year, the Council pays the operator an agreed unitary charge for occupation of the premises and the service provided. This unitary charge is broken down into 3 parts based on the fair value of the property involved and estimated service element costs. The fair value of the property is the amount initially recognised on the balance sheet together with an offsetting liability. This is accounted for as a finance lease, with part of the unitary charge therefore being recognised as a repayment of the liability, and part being the associated interest cost based on the rate implicit in the lease. The rest of the unitary charge reflects the cost of the services provided.

Service costs are included within the net cost of services figure in the comprehensive income and expenditure statement. Interest costs are included in financing and investment income and expenditure line in the comprehensive income and expenditure statement. The principal element is applied to write down the liability towards the PFI operator on the balance sheet.

In accordance with statutory requirements, revenue provision has been made towards the reduction of the borrowing requirement relating to this transaction, and a charge equivalent to the amount of principal repaid has been made in the movement in reserves statement such that the overall charge against general fund equals the unitary charge paid.

The Council also receives an annual revenue grant towards the above costs. An amount of grant equivalent to the interest charge is recognised as non specific grant income in the the comprehensive income and expenditure statement. All remaining grant is included in net cost of services.

### **Property, plant and equipment**

Physical assets that are held on a continuing basis for use in the provision of services or for administrative purposes are classified as Property, Plant and Equipment.

#### *Recognition*

Expenditure in excess of £10k on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority for periods in excess of one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### *Measurement*

Capital expenditure is recognised initially at cost, comprising all expenditure that is directly attributable to bringing an asset into working condition for its intended use. All acquired and newly created assets, and assets which have had significant enhancement works completed during the year have been formally revalued. All other capital expenditure has been added to property, plant and equipment at cost until such time as the asset is revalued as part of the 5 year rolling programme.

Increases in valuations are recognised as unrealised gains in the revaluation reserve (or credited to the comprehensive income and expenditure statement where they arise from the reversal of an impairment or revaluation loss previously charged to a service revenue account). The revaluation reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Where decreases in value are identified, they are written down against any balance of revaluation gains for the asset in the Revaluation Reserve, and then to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Assets are assessed at each year-end for indications of material impairment. Where indications exist, impairment losses are recognised and accounted for in the same way as revaluation losses.

Assets are included in the balance sheet as follows: -

- Operational land and buildings, plant, vehicles and equipment have been included in the balance sheet at fair value, determined as the amount that would be paid for the asset in its existing use. For specialised properties for which no market evidence exists, depreciated replacement cost is used as an estimate of fair value. Where items of plant, vehicles and equipment are short lived and of relatively low value, historical cost is used as a proxy for current cost.
- Infrastructure assets (eg highways and bridges) have been included in the balance sheet on the basis of depreciated historical cost.
- Assets under construction have been included at historical cost and assessed for impairment.
- Community assets (eg parks, works of art) were initially included in the balance sheet at a nominal valuation of £1,000 for each category of asset. Any subsequent capital expenditure on community assets is added to the nominal value at historical cost, and depreciated as appropriate.
- Surplus assets are those assets not currently operational, but which do not yet meet the criteria to be held for sale. Such assets might, for example, be currently held vacant pending future use. These assets are held at their previous existing use value.

#### *Depreciation*

With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment are depreciated over their useful economic lives. Depreciation is calculated by writing off the valuation of the asset less estimated residual value over the useful life of the asset calculated on an individual basis dependent upon the type of asset.

- Buildings have been depreciated on a straight line basis over various periods (eg public conveniences – 10 years; schools, swimming baths, sports centres, museums – 30 years; car parks, libraries – 50 years).
- Infrastructure assets have been depreciated on a straight line basis over 25 years.
- Plant, Vehicles and Equipment have been depreciated on a straight line basis over periods of between 5 and 15 years.

Where an item of Property, Plant and Equipment has a major component whose cost is significant in relation to the total cost of the item and whose asset life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### *Disposals*

On disposal, the net book value of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, and the receipt is credited to the same line. This shows the gain or loss on disposal. Any remaining balances relating to the asset in the revaluation reserve are transferred to the capital adjustment account.

Since the costs of fixed assets have already been provided for under separate capital accounting arrangements, the costs of any write offs are not charges against council tax.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Receipts in excess of £10,000 are categorised as capital receipts and are required to be credited to the usable capital receipts reserve. As these are credited in the first instance to the comprehensive income and expenditure statement, receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement. The usable capital receipts reserve can be used to redeem debt or finance capital expenditure.

The Council's policy is to pool all capital receipts (unless specific application is made) and to reinvest them in the capital programme. Where the receipt arises from the sale of a revenue earning asset, a specific decision is taken as to whether or not to use that receipt to redeem debt (to minimise the impact of the sale on the revenue account) rather than reinvesting it in the capital programme.

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and all provisions are reviewed annually and adjusted to reflect the best estimate at the balance sheet date of the anticipated expenditure required to settle the obligation. When expenditure is incurred to which the provision relates, it is charged to the provision carried in the Balance Sheet.

### **Impairment of assets**

Assets are assessed at each year end for evidence of impairment to ensure that they are carried at no more than their recoverable amount. The main assets considered are assessed for impairment in line with the requirements of specific accounting standards for property, plant and equipment, and financial instruments.

- Property, plant and equipment (PPE) assets are assessed in accordance with the policy for accounting for PPE assets. Impairments are written off against any revaluation gains attributable to the relevant assets, with any excess being charged to the relevant service revenue account. Impairments of investment properties and held for sale assets are written off to specific lines within the comprehensive income and expenditure statement.
- Financial assets are assessed annually for impairment in accordance with the policy for accounting for financial assets. Losses are recognized if there is objective evidence of impairment of a financial asset or group of assets, or if past history suggests that the sums likely to be realised are lower than the carrying value. Impairments are recognised in the comprehensive income and expenditure statement.

### **Earmarked Reserves**

Earmarked reserves are funds set aside at the discretion of either the Council or individual service departments for future policy purposes, contingencies, or to meet future items of revenue or capital expenditure. Reserves are created by appropriating amounts out of General Fund balances in the movement in reserves statement and so count against council tax when set aside. Expenditure funded from reserves is charged directly in the year it is incurred to service revenue accounts in the surplus/deficit on the provision of services. The reserve is then appropriated back into the General Fund balance in the movement in reserves statement so that there is then no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These are not usable resources for the Authority (the movements on these reserves are explained in section 34).

### **Revenue expenditure financed by capital under statute (refcus)**

Refcus is expenditure on assets not owned by the Council but which is allowed to be capitalised under statutory provisions. It does not give rise to assets which can be controlled by the Council. Examples include grants given to third parties for capital purposes, expenditure on private sector housing renewal, or on schools not in Council ownership. There is no on-going controlling benefit to the Council of such expenditure, and so it is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

As this expenditure can be met from capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **Value Added Tax**

Income and expenditure are reported exclusive of VAT as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them. VAT is therefore only included in service income and expenditure to the extent that it is irrecoverable, or has been recovered retrospectively from amounts paid over in previous years.

## **GLOSSARY**

**Accounting Policies** The principles, bases, conventions, rules and practices applied to specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, measuring and presenting assets, liabilities, gains, losses and changes to reserves

**Accruals** The concept that income and expenditure is accounted for as earned or incurred, not as money received or paid.

**Actuarial Gains and Losses** For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) the actuarial assumptions have changed.

**Amortisation** The writing down of an intangible asset reflecting its diminution in value as its useful life expires over time.

**Balances** The accumulated surplus on the Council's General Fund

**Capital Expenditure** Expenditure on the acquisition or creation of a fixed asset, or expenditure which adds to and not merely maintains the value of an existing asset.

**Capital Receipts** Proceeds from the sale of capital assets such as land and buildings. Such receipts can be used to repay debt or to finance new capital expenditure.

**Cash and cash equivalents.** Cash, deposits or investments readily convertible to known amounts with no risk of change in value or penalty charge.

**Collection Fund** A statutory account maintained by the Council to account separately for the collection and distribution of council tax and non domestic rates. The West Yorkshire Police Authority, the West Yorkshire Fire and Rescue Authority and the Council's General Fund all make demands upon this fund to help pay for running their services throughout the year. Any surpluses or deficits on this fund are borne by the 3 precepting authorities.

**Community Assets** These are assets that the Council intends to hold forever and which have an indeterminable useful life. There may be restrictions on their disposal. Examples include parks, historic buildings, museum exhibits and works of art.

**Consistency** The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

**Constructive Obligation** An obligation that derives from an authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**Contingent Liability** A condition that exists at the balance sheet date which may arise in the future dependent on the occurrence, or non-occurrence, of one or more uncertain future events.

**Council Tax** This is a banded property tax that is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1st April 1991.

**Creditors** An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

**Current Service Cost (Pensions)** The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Curtailment** For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected, for example as a result of discontinuing a service activity; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtors** Sums of money owed to the Council but not received at the end of the year.

**Defined Benefit Scheme** A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme** A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation** A charge to service revenue accounts reflecting the wearing out, consumption, or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Discretionary Benefits** Retirement benefits awarded at the discretion of the Council and which there are no legal, contractual or constructive obligations to pay.

**Earmarked Reserve** A sum set aside for a specific purpose to meet expected future expenditure.

**Expected Rate of Return** For a funded defined benefit scheme, the expected return based on market expectations at the beginning of the period for returns over the entire life of the related obligation. It includes both income and changes in fair value but net of scheme expenses.

**Fair Value** The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**Finance Lease** A method of acquiring or disposing of fixed assets where under the lease agreement all the risks and rewards of ownership of a fixed asset are substantially transferred to the occupier in return for rental payments to the legal owner of the asset.

**Financial Asset.** A financial instrument such as bank deposits, investments, loan receivables, trade debtors and other receivables.

**Financial Instrument.** A contract giving rise to a financial asset in one entity, and a financial liability or equity instrument in another.

**Financial Liability** A financial instrument such as borrowings, bank overdraft, trade creditors and other payables, financial guarantees.

**General Fund** The total services of the Council (except for Collection Fund), the net cost of which is met by Council Tax and Government Grants.

**Government Grants** Specific assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority. Certain grants provided are “general” rather than service specific, and are used to help pay for the net cost of Council services generally. General grants include Revenue Support Grant; Area Based Grants; Performance Reward Grant, and payments from the NNDR pool.

**Gross Book Value** For assets valued at current value, the current value determined by the valuer in line with valuation principles excluding any provision made for cumulative depreciation. For assets valued at historical cost, the historical cost of those assets excluding any provision made for cumulative depreciation.

**Held for sale assets.** A held for sale asset is an asset available for immediate sale which is being actively marketed for sale at a reasonable price in relation to its fair value, and for which a sale is highly probable.

**Impairment** A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**Infrastructure Assets** These are assets such as highways, footpaths, bridges and drainage facilities. Benefit can be obtained only by continued use of the asset created.

**Intangible Fixed Assets** Intangible assets that yield benefits to the local authority and the service it provides for a period of more than one year, such as software licenses.

**Interest Cost (Pensions)** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Financial Reporting Standards (IFRS).** International Financial Reporting Standards are accounting standards developed by the International Accounting Standards Board (IASB) to promote a single set of high quality global accounting standards. The transition date for local authorities was 1<sup>st</sup> April 2009 and these standards apply in full to local authorities' accounts from 1<sup>st</sup> April 2010.

**Investment Properties.** Properties held solely to earn rentals or for capital appreciation, and not used to provide services or for administrative purposes.

**Liabilities** Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

**Liquid Resources** Cash collected as agent and held on behalf of third parties, or current asset investments that are readily disposable by the authority without disrupting its business and are either of fixed, short term duration readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

**Materiality** An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision** This is the minimum amount chargeable under statutory regulations each year to the Council's revenue account to provide for the repayment of loans used to finance capital expenditure.

**Net Book Value** The amount at which fixed assets are included in the balance sheet, ie their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost** The cost of replacing or recreating an asset in its existing condition and in its existing use.

**Net Debt** The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference is to net funds rather than net debt.

**Net Realisable Value** The open market value of an asset in its existing use (or market value in the case of non-operational assets) less any expenses incurred in realising the asset.

**Non-Domestic Rates** These are often referred to as business rates. An NNDR poundage is set annually by the government to be levied on the defined rateable value of business properties. This is the sum to be collected by local authorities and paid into a national pool after deduction of specific costs. These transactions are accounted for within the Collection Fund. The proceeds within the national pool are then redistributed by Central Government as a grant to authorities in accordance with a government formula. Receipt of this grant is shown in the comprehensive income and expenditure statement.

**Surplus Assets** These are assets that are not directly occupied, used or consumed in the delivery of services, or to earn rental income, but which do not meet the criteria to be classed as held for sale. Examples include land awaiting development or of indeterminate use.

**Operating Lease** An agreement in which the use of an asset is derived in exchange for rental payments, but where the risks and rewards of ownership are not substantially all transferred.

**Past Service Cost** For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or changes to, retirement benefits.

**Precept** The payment demanded from the Collection Fund by the West Yorkshire Police Authority, the West Yorkshire Fire and Rescue Authority and the Council's General Fund. It is collected, accounted for and distributed by the Council on behalf of all precepting authorities.

**Prior Period Adjustments** Those adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Private Finance Initiative (PFI)** A Government initiative which enables authorities to carry out capital projects through partnership with the private sector, which then typically operates and maintains the property for a specified period of time in return for annual “unitary charge” payments.

**Projected Unit Method** An accrued valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to;

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**Property, plant and equipment** These are fixed assets such as land, buildings, and vehicles which yield benefits to the Council for more than one year and which are held, occupied, used or consumed in the direct delivery of those services for which the Council has responsibility.

**Prudence** The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

**Public Works Loan Board** This is a government agency that provides loans to authorities at favourable rates. The Council can borrow from this source to fund its borrowing requirements.

**Refcus (Revenue expenditure funded from capital under statute).** Expenditure that is properly capitalised but does not result in, or remain matched with, tangible assets. Examples of refcus are expenditure on items such as grants for home improvements or to businesses or other third parties for capital works.

**Remuneration** All sums paid to or receivable by an employee, and sums due by way of expenses allowances (as far as these are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**Residual Value** The net realisable value of an asset at the end of its useful life. Residual values are based on current prices prevailing at the balance sheet date and do not take account of expected future price changes.

**Retirement Benefits** All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer’s decision to terminate an employee’s employment before the normal retirement date or (ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Revenue Expenditure** The day to day running costs incurred in providing Council services (e.g. employee costs, supplies and services).

**Revenue Support Grant** A grant paid to the Council by Central Government after taking into account the Council's share of the NNDR pool, and an assumed level of Council Tax.

**Scheme Liabilities** The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement** An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Support Service Charges** Charges to service departments for services provided centrally (e.g. Finance, ICT, HR, Law and Administration etc.). The treatment of support service charges is described in the accounting policies.

**Total Cost** The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads which need to be allocated or apportioned.

**Useful Life** The period over which the local authority will derive benefits from the use of a fixed asset.

**Vested Rights** In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include, where appropriate, the related benefits for spouses or other dependents.